COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

(Water Resources and Power Report)

PART 6—Memphis, Tenn.

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HEARINGS

BEFORE A

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COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

(Water Resources and Power Report)

Part 6—Memphis, Tenn.

THURSDAY, NOVEMBER 3, 1955

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON WATER RESOURCES AND POWER
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Memphis, Tenn.

The special subcommittee met, pursuant to notice, in the Federal courtroom, Post Office Building, Memphis, Tenn., at 10 a. m., Hon. Robert E. Jones, Jr. (chairman of the special subcommittee) presiding.

Members present: Representatives Robert E. Jones, Jr., Martha W. Griffiths, Henry S. Reuss, and Glenard P. Lipscomb.

Also present: Representative Clifford Davis, William C. Wise, staff director; William L. Sturdevant, professional staff member; and Robert Morris.

Mr. JONES. This is a special subcommittee of the Committee on Government Operations selected to study the recommendations of the Hoover Commission Report on Water Resources and Power. Mrs. Martha W. Griffiths on my right is a member of the subcommittee from the State of Michigan; Mr. Henry Reuss, a member of the subcommittee of the State of Wisconsin; Glen Lipscomb on my left is a member of the subcommittee from the State of California. My name is Bob Jones and I am a member from the State of Alabama. Our host for this meeting, who has received us so cordially, is your own Congressman Cliff Davis. Cliff Davis probably more than any man in the Congress has worked harder and more diligently on water resources' problems, and knows the field of water resources better than any Member of the House or Senate. He is chairman of the Committee on Public Works Subcommittee on Flood Control of the House of Representatives and he has served in that capacity for a number of years.

He is familiar with the projects throughout the country and has dedicated himself to studying the problems of water-resources development and trying to devise a sound and prudent method for Federal investment in these types of projects.

Cliff, we are delighted to have the opportunity to come to Memphis to visit with you and get some of your knowledge firsthand. We are going to ask you to sit with us so that you may from time to time give us some information that will lead us to make more careful

inquiries into the matters that are elicited from the various witnesses.

I want to say to you that we always look forward to coming to Memphis and more especially coming to Memphis when you are here and can show us the true Southern hospitality.

STATEMENT OF HON. CLIFFORD DAVIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. DAVIS. Thank you.

Mr. JONES. It is good to have you, Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. I certainly want to express my very deep, genuine, and sincere appreciation for those kind words you had to say about me. Of course I say this facetiously, but maybe not too facetiously since this is an off-election year as far as Members of Congress are concerned, but a kind word from a colleague from a different State always is helpful.

Mr. JONES. I might say you know I am in a rather unique position. I serve on the committee of which you are chairman so if I do not say good things about you you are likely to fire me.

Mr. DAVIS. Thank you again, Mr. Chairman. It is fortunate that we have more of you members from distant sections of the country present in Memphis, the very center of the Midsouth—midway between the city of Chicago and the city of New Orleans.

This is a rapidly growing section in every possible way. I can start with culture and churches and schools and go to Army installations, industry, business, chemicals, or almost any part of our economy. You will find them all affected very substantially in this wide area, even reaching into your own district of Alabama, Mr. Jones. We are always glad to have Members of Congress come to this great city so that you can see the way in which we live and you can find a solution to some of our problems.

You will pardon me, but I am not going to make any long statement since we have a few witnesses who know a great deal about this situation. I can say, though, Mr. Chairman, that these gentlemen are well qualified to give you their views. While there may be some others who may volunteer to make statements, those few who will make statements to you will not take up your time unduly but will come right to the point. They have thought these matters through and will give you their best judgment.

I have been amazed at the very great interest expressed by other sections of the country on water resources and water control. A great many people in this country do not yet realize that 47 percent of the surface water of this big country of ours carries right down the Mississippi River, right by our front door, into the gulf.

By the way, I am delighted to see General Hardin, the president of the Mississippi River Commission, present here. He is one of the ablest engineer officers we have ever had in the long, fine history of the Corps of Engineers. Perhaps he will add something here. Of course you know him personally, Mr. Chairman.

A great many people in this country are surprised to know that we have this demand being made on us to take care of these waters. I think you will find the river here very low now. We have had a shortage of water in that river but we never know when the river will be-

come wild and with disastrous consequences when it takes the flow to the gulf. We have to be prepared for that. However, I come back to one other thing: That you find a new interest in flood control in other sections of the country because of the disastrous damage and great destruction done in New England, not once, but twice in a matter of a couple of months. So I will tell you as a member of our committee, and your colleagues on this subcommittee that the leadership in the House has been in contact with me. We will have a whale of a bill offered this next session, General Hardin, from other sections of the country. Of course, we have to come along with our own also.

They are thinking about control of water everywhere. We know that we must control the waters but we feel that God has given us this abundance of water. I cannot quote the engineers exactly, but their philosophy is that you have to help the river do what the river wants to do. You cannot change the course of a river too many times. If that river decides to change its course you have to go along and help it do what it wants to do. In helping it do that you are going to have to help the people along its banks.

Secondly, the engineers have the philosophy that since we have this God-given stream it should be used for the public welfare. I wish it were possible for all of you to have taken the trip that I have with General Hardin down the Mississippi on a steamer where you could see the levee protections that have been built and where you would meet barges going in both directions all during the day and night, sometimes with a trainload of tonnage, and carrying petroleum products and many other things. We had our good friend from Michigan, Mr. George Dondero, there with us. Of course he was very much interested in automobiles since he comes from Michigan. George was absolutely carried away when he saw—and I can stand corrected on this amount—seven or eight hundred automobiles on a barge coming down the river. It was really a beautiful sight with all of these variegated colors on the automobiles, to see seven or eight hundred of them come down on this barge and land in our big harbor project which is important to the economy of our country. They unload those cars and they put about a gallon of gasoline in them and drive them out of here heading ultimately to the Far West and the South, the Northeast and the Northwest, the Southeast and the East—in every direction.

I am making the point here that we use the river for commerce and for the great general welfare of our people. You see a constant stream of business going back and forth on the river. I want to say to my colleagues from other parts of the country that long ago I came to the very definite conclusion that what helps one section of the country is bound sooner or later to help other sections of the country. And, so help me, the longer I stay in Congress—and seniority matures a man in his thoughts and reasonableness—the more I try to back some of you with your projects in other sections of the country. I say, "Can't I be for that because of the general welfare of this great country of ours?"

You will pardon me for saying too much, but I accept with very great pleasure the opportunity and honor to sit here with you.

Colonel Kittrell, I think, is in possession of the list of witnesses who will testify before you today. I know Colonel Kittrell is going to make a statement himself. We are in accord on this.

Bob, this is the first time and the last time I suppose that you and I will ever be able to sit in a Federal courtroom. It must be grand to have a lifetime job where you know you can sit there as long as you behave yourself and you stay in good health, and where you do not have to run every other year for office. I started to ask you to strike that from the record.

Colonel Kittrell, I will ask you to come around subject to the approval of the chairman.

Mr. JONES. You are Colonel Clark Kittrell, representing the Shelby County Port Commission?

STATEMENT OF CLARK KITTRELL, PORT DIRECTOR, MEMPHIS AND SHELBY COUNTY PORT COMMISSION

Mr. KITTRELL. The Memphis and Shelby County Port Commission, Mr. Congressman. My name is Clark Kittrell and I am port director for the Memphis and Shelby County Port Commission. The statement which I will make is sanctioned by the individual members of the port commission who are prominent businessmen and civic leaders serving without compensation. We are particularly interested in the inland waterways of the United States and their complete development to the end that they may make their maximum contribution to the economic growth and stability of our great Nation.

The tremendous growth of industry along the waterways is due principally to the availability of low-cost water transportation for bulk shipment. Outstanding examples of this expansion are the industrial cities along the Great Lakes, the west coast, the gulf coast, and in the Pittsburgh area. The creation of this huge wealth which is producing cargo for all modes of transportation is a great credit to the waterways.

As you know the coal industry has been tremendously depressed. Just now it seems to be in the recuperative stage. Coal can compete with other forms of fuel only because of low-cost water transportation, and a sizable portion of inland waterborne commerce is made up of coal shipments. The margin of cost as between coal and other fuels is so small that imposition of user tolls would drive much of the coal off waterways and would have a very depressing effect upon the coal industry.

The waterways belong to the people, because it is the taxpayer's money with which they are developed and maintained. The benefits from the full use of the waterways accrue to the public. You of the Congress are well aware that before a river and harbor project is approved by you there must be a positive showing, after complete surveys and studies, that the project will provide a favorable benefit-cost ratio. In other words you require reasonable proof that every tax dollar which you invest in the project will be returned with dividends. In the case of the navigable waters, the major part of these returns is in the form of freight savings. In most cases these savings have far exceeded what was predicted when you approved the expenditure. This is true because the records show that tonnages carried on our inland waterways have in most cases grown far beyond expectancy.

The imposition of tolls or user charges on these waterways will not help the consumer, that is the taxpayer, because the carrier will add the charge to the freight cost. It would simply mean a transfer from

one pocket to the other. If it stopped here it wouldn't be so bad, but actually the consumer will lose in the long run rather than gain. My reasoning is this and I am confident that it is sound. The imposition of tolls will discourage many shipments now being made by water, especially those where the rate differential between competing modes of transportation is small. The barge and towboat equipment which has been so long in the building will shrink and deteriorate and when, due to starvation it becomes impotent, the time is then ripe for an overall increase in freight rates. The consumer will inevitably pay the bill. This has happened before.

It takes a long time and much capital, as history shows, for barge equipment to be built up to the point where the waterways can have a healthy effect upon the control of freight charges, as they now have.

It is my firm conviction that the imposition of tolls upon our waterways will have a deteriorating effect upon them and upon the equipment, much of which is specialized. We need these waterways and the equipment in the best operating condition possible in case of a national emergency such as we recently experienced in World War II. Then, all forms of transportation were used to the maximum extent and did a remarkable job. Thousands of oceangoing vessels for the war were constructed at inland ports and floated to sea over our improved inland waterways.

Let's let the people keep their inland waterways and continue to enjoy the low freight costs which they produce.

I thank you for the privilege of appearing before you.

Mr. JONES. Thank you, Mr. Kittrell. Are there any questions?

(No response.)

Mr. JONES. Mr. Kittrell, I would like to ask you a question. What is the traffic index of the Memphis terminals?

Mr. KITTRELL. The traffic in and out of Memphis at the present time is right around 3½ million tons a year.

Mr. JONES. What type of cargoes does it consist of? What are the principal items that make it up?

Mr. KITTRELL. I do not have those figures with me but petroleum products are a large item of shipment.

Mr. JONES. Where does that shipment originate?

Mr. KITTRELL. Both ways, Mr. Chairman—from below and from above. There are refineries around East St. Louis. That is shipped down here. Then the Texas and Louisiana refineries ship up here. It is shipped both ways.

Mr. JONES. What other products besides oil are shipped?

Mr. KITTRELL. Coal is coming back on the river. There will be a tremendous coal shipment into this area when the generating plant is built by the city of Memphis. It will go way up into the millions of tons.

Mr. JONES. Where will that shipment of coal originate? In Kentucky?

Mr. KITTRELL. I expect a large percentage of it will come out of Kentucky. The Federal Government at the present time, as you well know, is opening up the Green River to coal shipments by barge, and then as soon as those improvements are completed a large shipment will come out of Green River, Ky., area. Yes.

Mr. JONES. And part of that shipment will come down the Ohio River?

Mr. KITTRELL. Yes, sir, a great percentage of it. The Ohio River is a heavy coal-carrying stream as you know.

Mr. JONES. Do you recall the recommendations made by the Hoover Commission for collecting tolls based on the maintenance and operation costs? Have you explored what the cost of the maintenance and operation of the navigation features would be on the Mississippi River, for instance?

Mr. KITTRELL. No, I have not, Mr. Congressman. Those figures, of course, are of record in the Corps of Engineers report. I have some figures here on the cost of amortization, and maintenance, and operation of several navigable waterways as compared to the freight savings.

Mr. JONES. You do not have any figures that would reveal on the basis of maintenance and operation alone what it would cost per ton-mile of increase in the cost of transportation on the Mississippi River and tributaries, do you?

Mr. KITTRELL. No, I do not. I think it would be very complicated to determine that from the maintenance figures because maintenance varies in different portions of the stream. For instance, the operating costs on the upper river would be much more than the lower Mississippi because of the locks and dams.

Mr. JONES. The Hoover Commission in its recommendations did not try to formulate any scheme for fixing the rates based on maintenance and operation, did they? Do you recall that portion of the report?

Mr. KITTRELL. As far as I know, no, sir. They did not attempt to formulate any rule for fixing it.

Mr. JONES. Do you think it would be a pretty difficult matter to try to estimate or calculate the cost that would be charged if tolls were imposed, based on the maintenance and operations costs?

Mr. KITTRELL. I should think, Mr. Congressman, it would be a question of getting from the Corps of Engineers the costs of maintenance for any section which you might wish. Then with that figure and the figure of the tonnage handled, you could apply that cost to the tonnage and come up with a ton-mile figure.

Mr. JONES. But you have a different rate for every stream leading into the Ohio where you have some old locks. The cost of operation and maintenance of those locks is much higher than it is with the new ones. Therefore you would have a different rate based on the maintenance and operation of the project on the Ohio River than you would probably on the upper Mississippi, the Tennessee, the lower Mississippi.

Mr. KITTRELL. Yes, sir. Or the Gulf Intracoastal Canal which carries a huge amount of tonnage.

Mr. JONES. Any further questions?

(No response.)

Mr. JONES. Thank you very much Colonel Kittrell.

Mr. DAVIS. Will you be kind enough, Colonel Kittrell, with the chairman's approval, to introduce the other witnesses from Memphis?

Mr. JONES. Yes, sir. Colonel, I will tell you what would be best for the committee. If we could have General Hardin testify about

the overall program of the Corps of Engineers on the river that would give us a better picture of the situation and then we can come back to witnesses and I think that will fit into the pattern of the development of the picture.

Mr. KITTRELL. That would suit me better, Mr. Congressman, because one of our witnesses from St. Louis is not here at the moment.

Mr. DAVIS. I was not sure General Hardin was going to make a statement. Otherwise we would have put him out there in front of the firing line.

Mr. JONES. General Hardin, it is good to see you. I want to echo the things Mr. Davis said about you. I have had occasion to be with the general and to hear his testimony on prior occasions and I know that no one is better equipped to give us the story of the lower Mississippi than you are, General.

Mr. DAVIS. He does not throw any words away but he knows all the words to use.

STATEMENT OF BRIG. GEN. JOHN R. HARDIN, UNITED STATES ARMY, DIVISION ENGINEER, LOWER MISSISSIPPI VALLEY DIVISION, CORPS OF ENGINEERS, AND PRESIDENT, MISSISSIPPI RIVER COMMISSION

General HARDIN. Mr. Chairman, I am Brig. Gen. John R. Hardin, division engineer, lower Mississippi Valley division, Corps of Engineers, and president of the Mississippi River Commission.

Mr. JONES. General, you might explain to the committee, as they probably have not had the opportunity to know it, just what the Mississippi River Commission is.

General HARDIN. Mr. Chairman, the Mississippi River Commission is a planning and policy-making group which is appointed by the President for the prosecution of the Mississippi River and tributaries project which covers the area of the alluvial valley of the Mississippi River and extends from Cape Girardeau on the north to the Gulf of Mexico, and east and west to take in the valley which has been built by the Mississippi River extending up the tributaries insofar as they are affected by the flood waters of the Mississippi River.

The Mississippi River Commission consists of a combination of civilians and personnel of the Corps of Engineers. Two of the members of the commission are civilian engineers; one is a businessman, generally; and, another member is the representative of the Coast and Geodetic Survey. It also consists of three members of the Corps of Engineers, the senior of whom is the president. This is the form that has been in existence since 1879 when the commission was authorized by Congress. It has the responsibility, as I said, of providing the guidance and general direction, the recommendations on policies and the recommendations concerning the program and the carrying out of the program for the Mississippi Valley. Of course we are all subject to the supervision of the Chief of Engineers and the Secretary of the Army.

Originally I think it is interesting to note that the Commission was appointed in those years when our Federal Government was primarily interested in the development of this basin from the standpoint of navi-

gation. At that time the Federal Government had not adopted any policy with respect to flood control. It was recognized, of course, from the outset that floods in this valley had a tremendous impact on the success or failure of providing a navigable channel on the Mississippi River. However for many years, going back to 1824 to be exact, the Federal Government participated in the improvement of the Mississippi River, from the early days, only from the standpoint of navigation. It was not until much later—the beginning of the 20th century—that the attitude was taken of even sharing the cost of flood-control improvements. Then we got the disastrous flood of 1927 which occurred, devastating this entire valley. Two hundred people were drowned in that flood and there were $200 million in damages which was a conservative estimate in those days. The life and economy of the region was greatly affected not only locally, but it had an impact on the Nation in various ways, through transportation and otherwise. It was at that time that Congress first took the position of being the directors of a flood-control program in a river valley in this country.

You might say then that the flood control and the navigation projects in the lower valley, which I have the honor to serve in, began in its present state in the Flood Control Act of 1928. It was the first comprehensive basin development in the country. Later the general flood-control acts which were passed by Congress in 1936 broadened the base and extended those policies and procedures to the entire country; but you might look upon the Mississippi River and tributaries project, under the Mississippi River Commission, as the point of beginning of national interest in flood control.

Mr. JONES. The act of 1928 not only recognized the Mississippi River, but Federal responsibility to take on flood-control works for the relief of these disastrous floods everywhere else.

General HARDIN. That is true.

Mr. JONES. And as you say, the base was broadened in the 1936 act and even further in the 1944 act; was it not?

General HARDIN. Yes, sir.

Mr. JONES. So there is no question in anybody's mind today that the Federal Government does have a responsibility to aid and assist in seeing that these floods that bring about such devastation do not recur if it is possible to prevent them? Our policy is pretty well fixed with respect to that proposition, don't you think, General?

General HARDIN. Yes, sir; I do. Certainly as far as this basin is concerned the policy has been well fixed by a succession of legislative statements and authorizations of one kind or another. This project has, of course, been modified and extended since its inception in 1928. It is still a living project, keeping pace with the economic and other types of development of this basin. As a matter of fact it is under review right now by direction of the Congress and we are working very hard to prepare a complete review of this comprehensive valley development for submission to the Congress at some time in the near future, or several years from now.

Mr. JONES. I believe the latest authorization is the authorization which Mr. Davis had in the flood-control committee on the Atchafalaya this past year, or this year; was it not?

Mr. DAVIS. That is right. This year.

Mr. JONES. That is the latest one.

General HARDIN. The latest addition to the overall project was the Old River control undertaking which is to prevent a diversion of the Mississippi at the latitude of Old River, from departing its present channel and flowing to the gulf by a shorter route through the Atchafalaya Basin. I think that is correct.

Mr. DAVIS. A lot of people still do not realize that there could be a possibility that New Orleans, as far as the Mississippi River is concerned, could be left high and dry. That is a pressing problem, as you so well presented it to our Subcommittee on Flood Control of the Public Works Committee of the House. I judge you are really working against time on that thing in your judgment; are you not?

General HARDIN. I think we are on time, Mr. Davis. We were fortunate to get the authority and the funds to begin it. We have a contract now, as you know, which is actively underway for the first steps in the control of that river diversion.

Mr. DAVIS. You will pardon me, Mr. Chairman, for interjecting this for the benefit of the other members of the committee. You see, that point is north of New Orleans. Therefore, you have to furnish that protection to keep the river from diverting and going into the rapid Atchafalaya and at the same time preserving the economy of the big crescent city of New Orleans. There is also an economy made in the movement back and forth from there. It has been very adequately shown that you save time and money coming up the Atchafalaya and coming north of the river at that point. So that development has an emergency angle and at the same time has a very strong dual economic angle. That is a fair statement, is it not, General?

General HARDIN. It is extremely important, Mr. Davis, from the standpoint of change in the economy of the region which would result from it being deprived of fresh water. It would still be salt water but that would not serve the purpose.

Mr. DAVIS. No.

Mr. JONES. General, will you describe the general works of the Corps of Engineers and what the principal items of work are that you do on the river?

General HARDIN. Well, let me treat the Mississippi River and tributaries project first because it is a comprehensive unit of work in this valley. Of course, it is the most important undertaking that we are charged with.

This project to which I refer is for the purpose of controlling the damaging effects of floodwaters to provide for an effective and efficient navigation channel in the main stem of the Mississippi River. Also it is to provide improvements in the form of major drainage in the areas that have been either affected by works along the main stem of the Mississippi River, such as natural drainage having been affected, or to provide improved drainage in this flat alluvial basin all of which, of course, is directed toward the safeguarding of the economy of the region.

Now this project consists of some rather big items. We have along the main stem of the Mississippi River, for instance, 1,600 miles of levees. They are not necessarily continuous because in certain places the river has meandered and is now lying against an escarpment on the east side in certain reaches, which makes it unnecessary to provide levee protection.

On the west side of the basin, however, the levee line is continuous except for those places where the tributaries enter into the main stem of the Mississippi, namely, at the mouth of the White, the St. Francis, the Arkansas, and the Red; and, of course, on the east bank we have tributaries which also play a predominant part in the overall project, namely, the Yazoo and Tennessee tributaries. That is, along the main stem. However, when this project was conceived it was appreciated that we could not confine the flood flows within the levee lines; and that two things had to be done. Therefore, you will find in this project the use of reservoirs for impounding waters. You will find that we have changed the pattern of the river by shortening its course to the gulf and creating what we call cutoffs by manmade shortening of the former tortuous, meandering channel of the river.

Then we have recognized the need and made provision for stabilizing the channel in its most favorable route, after we arrive at that point. So, a large part of our present effort is directed toward keeping the river in its present place and preventing it from performing the traditional meandering which an alluvial stream will always do unless prevented from doing so, not only from the standpoint of making secure these expensive flood-control works which we construct on the banks, which would otherwise be destroyed; but, also, to maintain an effective and efficient navigation channel in the river.

Those four steps are supplemented by just one more in the overall current plan or the master plan of this valley treatment. Recognizing that we cannot maintain levees of sufficient types to confine all of the possible variations in flow, we have provided what might be termed safety valves, or floodways along the alluvial valley into which the flood may expand as it traverses north to south, taking advantage of the natural reservoir areas that nature has always occupied in the original state of this river, and diverting these flows to their ultimate destination by alternate channels rather than attempting to confine all floods within the levee lines. We have these floodways in various reaches of the river. We have one in the vicinity of Cairo to take the pressure off of the important transportation center of Cairo, Ill., by providing the New Madeira-Birds Point Floodway.

To the south we have the Atchafalaya Basin as a great floodway. That is supplemented by what in effect is a floodway, although we call it a spillway, just north of New Orleans at Bonnecarre where, when flood stages get too high, we open a main gate control works and divert some of the flow into Lake Pontchartrain to avert disaster to New Orleans.

The project we have in being at the present time, including the total authorizations that Congress has given us, amounts to $1,329 million, of which we have received appropriations to the extent of approximately 69 percent of that sum.

The progress, as you might well expect, is further advanced on the main stem of the Mississippi River than it is in the tributary area. However, the tributaries are an essential and important element of the whole, and we are now giving increased attention to the tributary areas, which, of course, are the areas that provide a great proportion of the benefits.

The first line of defense along the main stem of the river is well along toward completion. You might say in terms of percentages that it is maybe 92 percent complete from the standpoint of the levees.

However, our stabilization works which play an important part in flood control and navigation are roughly 50 percent complete. The reservoirs are finished. The cutoffs are finished to shorten the river by 160 miles. The tributary areas vary from 20 percent in some areas to 50 and 60 percent in others.

Mr. JONES. Are the dams constructed on the Tennessee and those in progress now on the Ohio, Missouri, and Arkansas, making substantial contributions to the flood-control work on the lower Mississippi River?

General HARDIN. Reservoirs, Mr. Chairman?

Mr. JONES. Yes, sir.

General HARDIN. Yes, sir; they do contribute substantially to the flood control that we might expect on the lower river. This project of ours is designed on the concept of a flood, which I think you will agree it is prudent to provide for—a flood that is larger than we have ever experienced. It is based roughly on a flood 20 percent larger than anything we have a record of; namely, that of 1927. But it was not arrived at on that basis. It was arrived at on a study of probability of the storm pattern that we might reasonably expect over this basin, which Mr. Davis indicated is a large portion of the whole United States. The storm pattern will result in a meeting of flows out of the tributaries in such a way as to give us what we believe is this project flow. Any reservoir capacity that is built on the tributaries of the Mississippi River will, of course, contribute to the size of the flood that we might reasonably expect.

This project was started when there were not too many reservoirs in being and not too much promise that there would be reservoirs within a reasonable number of years. But we do take into account the beneficial effects of impounding floodwaters on the Missouri and Ohio and upper Mississippi and the TVA area and all tributary streams to the Mississippi.

Of course this valley is so huge that the benefit from reservoir storage is much greater in the tributary areas where they are built than the benefit will be in the lower basin. Nonetheless it is a substantial amount and as time goes on they expect the situation to be even further improved by reservoir storage.

We have taken into account in computing the heights of our levees the magnitude of floods that could reasonably occur. But the reservoirs are paying big dividends now in connection with navigation. For instance, if it had not been for the reservoirs in the Missouri Valley in the last 2 years—2 years during which we have experienced some of the lowest flows of the recorded history of this valley—we would have had at times less water in this region of the Mississippi in front of the levees amounting to one-fourth and possibly one-third. We now have a very low stage here at Memphis where it is either approximately at or below zero on the gage, meaning that that is about what you would expect as the lowest low water. But even so, with that low stage on the river, we would have experienced much lower stages had it not been for the contribution of the water out of Fort Peck and those other great dams on the Missouri system.

I might add that that water goes all the way down to the mouth where the salt-water-intrusion problem is a real one at New Orleans. It could have been a very serious problem last year and again this year without that flow of fresh water from those reservoirs.

Mr. JONES. The pattern of flow of the Mississippi River which you just described, General, is characteristic of every stream in the country nowadays; is it not?

General HARDIN. With respect to the weather cycle, Mr. Chairman?

Mr. JONES. Not the weather cycle but the cycle of the reduction of flow in dry periods. We used to think in terms of just flood control. Now we have to start thinking about building dams to insure the flow during dry periods.

General HARDIN. Oh, yes. I think now that we are out of the stage of having to worry so much in the lower Mississippi Valley about the threat of damage from water, that we are now in the area, very definitely, of providing water for a regulated, consistent, dependable flow.

Mr. JONES. I recall, and I believe it was in your testimony, General, when you testified before Mr. Davis' subcommittee on flood control in Washington, D. C., that you mentioned the amount of water used by the Ethyl plant in Baton Rouge, La.

General HARDIN. Yes, sir.

Mr. JONES. I was astounded at the unbelievable amount of water that those plants in that area are using. They were threatened by the shortage of water caused by the prospect of a diversion.

General HARDIN. Modern industry which is coming to the Mississippi Valley, it is my observation, is coming here for two reasons primarily. This great migration of the industrial potential of our Nation is seeking first of all water transportation; but, there is also the industrial process which requires tremendous quantities of processed water, the chemical industry in particular. We are finding now that from Baton Rouge and below, for instance—and I have no doubt it will begin above that point soon—it is using over and over again the Mississippi River water in the process of their operation.

Mr. DAVIS. This is so interesting and so informative.

Mr. Chairman, if you will pardon me for a moment I would like Mr Wooten of our harbor project to come closer because I want him to hear what the general is saying. Mr. Wooten and I have to listen to the general saying this over and over, so I want him to move a little closer in order to hear everything that is being s[illegible]

Do not let me get you off of that subject, General, because it is intensely interesting to me, and I would like to have all of the people in this area learn how we are using more and more water and how we may conserve our water. Our own engineer said that we are planning to build five big pumping stations in the city of Memphis to take care of our metropolitan area needs. He indicated, General, that this would be the last deep wells that we could dig because we are increasing our population nationwide 3 million a year. We have 160 million now and we are using more and more water to drink and to fight fires, and for irrigation, as well as for industry, chemical manufacturing, and so on.

A lot of people used to think, well, we have plenty of rain and plenty of water. However, now, as the general so legitimately stated, and as he will develop further, we have to conserve the water that falls today so that we will have enough water for all of our purposes, some of which I have just quickly related.

Pardon me, General, for interfering.

General HARDIN. Mr. Davis, you remind me that I failed to mention another thing in the way of the use of water in this alluvial valley, which is growing very rapidly, and I think in years to come will be most impressive. That is in agriculture.

This alluvial valley has been battled for and bled over by our people since the earliest days, for one reason; that is, on account of its unbelievable richness. The soil here is of great depth and great fertility. It also has a favorable climate. In recent years, though, with all of those attributes of this alluvial area and with the strides that are being made in the intensive use of modern techniques of farming and selection of seeds, and better crop control and insecticides, and the widespread use of fertilizers—some of which are made in this area out of the natural gas and air that is available here in large quantities—the agricultural pattern that I have noticed is changing from one of just depending on the great gifts of nature to the application of intelligence and better know-how.

Now the next step is the utilization of water even further to supplement those agricultural procedures.

I was shown this year just across the river from here some tracts that are growing hybrid corn on a new planting, irrigating, and fertilizing basis, that are producing 125 and up to 150 bushels of corn per acre.

By the same token with better techniques in irrigating pastures and irrigating other crops, tremendous yields are being obtained which, of course, at the moment you might say only magnifies our surplus problem, but in years to come I am satisfied it will be a tremendous boon to this Nation to have that capacity and capability. Now that they have found that water can be applied with equal benefit to fertilizers and other techniques, you find all up and down the river the withdrawal of water by pumps primarily, although other means are coming into being for supplementing rainfall and supplementing the amount of rain we get. That is not necessarily an out-and-out irrigation procedure but it is supplementing the rain so that it can be applied in that critical period when the crops need it. They go to great expense in applying this water by expensive sprinkler and pipeline systems.

We are going to see more of that, Mr. Davis, as time goes on. I even anticipate in dry years it may pose a problem because the excessive withdrawals will again aggravate the situation at the mouth of the river where salt-water intrusion can become acute; but I believe that it can be recognized in time to prevent it from becoming a truly critical situation.

Mrs. GRIFFITHS. Mr. Chairman, can I ask a question?

Mr. JONES. Yes.

Mrs. GRIFFITHS. Would this salt-water intrusion you speak of affect the supply of drinking water for the city of New Orleans, for instance?

General HARDIN. Oh, yes. It always has. As a matter of fact, salt water has always been in the river at New Orleans. The river bed there is 100 feet or more below sea level and it is a great estuary of the gulf in effect. So, from time immemorial the salt-water problem has been there. However, the fresh water, being lighter, flows on top of that salt water. We call the salt water a salt-water wedge which is permanently in position. The fresh water coming down from the upper Mississippi flows on top and does not create turbulence

between the two if the upper section of fresh water is of sufficient thickness to flow without getting mixed. But it is in the dry years such as the last two that we have had where the film, you might say, of fresh water is so thin on top of the salt water that the two become intermixed and your salinity takes a jump high enough to create intestinal disturbances among the people who might drink it. It also affects a lot of the industry which is located there primarily to enjoy pure, fresh water. They have to make other provisions under those conditions in order to avoid contamination by this salt-water intrusion.

The city of New Orleans has relocated in recent years their intake further upstream to avoid the contamination that too frequently occurred right at New Orleans. They now take their water out of the river a good many miles above the city.

Mrs. GRIFFITHS. Does the salt water now bother people farther upstream? Does the intrusion become greater?

General HARDIN. The intrusion has not become greater. As a matter of fact, the intrusion has become alleviated by this more constant flow of fresh water that is coming out of our reservoirs on the tributaries. Last year, as I say, I think really a most serious situation was prevented by the flow from the two great reservoirs in the Missouri Basin.

Mr. JONES. General, there is one thing that impressed me and that has always impressed me. That is, at one of the interagency meetings up in Bismarck, S. Dak., where we had a geologist testifying before that interagency committee, he testified to the effect that we are still getting the same amount of rainfall—we still have the same amount of water—and if we would be wise and prudent enough to use that water correctly, then we will not go through these periods of drought and flood. If we use our water properly and correctly then we will have sufficient control over it. That is the thing that we have to look to in the future, namely, to make these plans to see that wise use is made of our water and that we become conscious of the importance of water in our daily lives.

General HARDIN. I certainly subscribe to that theory wholeheartedly, Mr. Chairman. The more I see of this business, and I have been in it a pretty long time now, I am convinced in my own mind that the saving of this great resource of water for this Nation is not a local thing, it is not a regional thing, but it is a tremendously distributed problem that can only be handled on a national basis. I have given you the best recent example that comes to my mind of how the storage of water in far-off Montana, within 50 miles of the Canadian border, affects the economy of the States down here in the lower Mississippi Basin, not only from the standpoint of navigation but also from the standpoint of human consumption. I think if we are going to keep pace with this rapid growth in our population and with the changing pattern of our economy insofar as where industry is going to work and locate, that it behooves us to move rather fast in the development of water resources from the standpoint of conservation—not just preventive measures such as flood protection, but from the standpoint of saving this great beneficial natural resource of water.

Mr. JONES. I know several years ago Congressman Davis and I went on a trip up to Fort Peck and Garrison and Randall Dams, which

were just underway then. They told us later on it would probably affect New Orleans and the lower Mississippi, but it is hard for my mind to conceive just the important part they are playing, such as you have described here this morning.

General HARDIN. The impoundment of water in various river valleys is not a pleasant thing to the people who live right there. We are constantly faced with that.

Mr. JONES. You have been out on the Kaw and the Republican Rivers; have you not?

General HARDIN. Sir?

Mr. JONES. You have been to Kansas on the Kaw and Republican Rivers?

General HARDIN. That is right. And the water would never be saved for the overall good if we did not have a policy of building things by the Federal Government.

Mr. LIPSCOMB. Mr. Chairman, I would like to ask the general a question.

Mr. JONES. Mr. Lipscomb.

Mr. LIPSCOMB. From what you told us, you indicate to the committee that Congress had better enact a national water policy as rapidly as possible.

General HARDIN. Mr. Lipscomb, I think I can say without doubt that that is my personal view, particularly not that we do not have laws on the subject now, and policies which pertain to navigation and flood control, but we do need guidance and we do need a policy which will be a broad concept policy for the conservation of water, whether it be for industrial, municipal, or pollution purposes, or whatever it may be. We do not have, in my opinion, adequate policy or laws at the moment on the building of projects which are for the purpose of conserving water.

Mr. LIPSCOMB. We need a coordinated policy to look at the level of the National Government for guidance and participation by local and State levels so that we are all going in the same direction and not utilizing our natural resources to the disadvantage of the national welfare. I agree.

Mr. REUSS. Mr. Chairman, I am interested in the questions and answers we have just heard. I want to be clear in my mind, General, just what recommendations you are making, because, of course, this is a very serious and critical matter to us in Congress. I heard you say a moment ago that you believe that laws presently on the books enacted by Congress do state an adequate policy of conserving water supplies. Is that correct?

General HARDIN. No, sir, not quite. I intended to say that I felt that the laws and policies which have been enacted pertaining to navigation and flood control leave out, you might say, the angle of water conservation. We are doing, by administrative action, you might say—and I was recently responsible for incorporating water supply in two reservoir projects which are in my division over in Texas, not on the Mississippi River project but the Texarkana Reservoir and the Farrow's Bridge Reservoir—in one case the policy that was finally used there was different from that used on the other.

Mr. REUSS. To break this down I will start with the general statement that you feel there ought to be additional laws by Congress and

a clear congressional expression on certain phases of water policy. That is your feeling, is it not?

General HARDIN. Yes, sir.

Mr. REUSS. I think we will have to break those down into their components and see what you think is adequate and what you think is inadequate. I would like to ask you how you think we can improve this, because, believe me, it is my wish as a Congressman, and representing I hope all of the people in this country, that we have the best possible water laws on our books. So let us start at No. 1, navigation. Are you satisfied with the general policy now on Federal statute books with respect to navigation?

I leave to one side whether there are sufficient appropriations for a given project, and so on. However, as far as policy goes, are you satisfied with our Federal water policy with respect to navigation?

General HARDIN. May I answer that question on the basis of my area of responsibility? I think the committee realizes that this overall policy is something which you might say is inappropriate for me to discuss in definitive terms on account of the fact that it is before the President at the present time and some recommendations might be expected in the very near future.

Mr. REUSS. I ask it, General, solely in reference to your generalized statement that a clearly stated water policy by Congress is necessary. I want to try to come to grips with this problem. The only way I know of to do it is to just go down the line on our water problems and ask your opinion as an individual.

General HARDIN. Yes.

Mr. REUSS. Wherein you think that we in Congress can improve the present laws now on the books. I guess the only way to start in is to start with navigation and go through flood control and domestic water supply, pollution, irrigation, and so on, and get your views as to where Congress' policy is right and where it leaves something to be desired.

The more concrete and constructive you can make your recommendations as an individual, mind you, the more helpful you will be to this subcommittee.

General HARDIN. I can start out by saying I think our present policies and procedures with regard to navigation in the lower Mississippi Basin are adequate.

Mr. REUSS. Fine. Let us then pass on to flood control.

How about our present policies and procedures there?

General HARDIN. I think that this project and others in my area have been advanced without difficulty and with tremendous benefit to the Nation as a whole. Therefore, I have no comments to make about the flood-control aspects.

Mr. REUSS. Let us pass on then to power.

General HARDIN. I have no power projects within this division.

Mr. REUSS. Do you have any feeling that Congress has stated the national policy with respect to waterpower unclearly or unsatisfactorily, or in any other way not to the national interest, or do you see any way of improving our power legislation?

General HARDIN. On account of the complexity of that problem I do not believe that a categorical answer can be offered. As I know the problem in different parts of the country, it varies from place to place, and I think that it would be very difficult for me, at least, to offer any

comment pro or con on the power policy of the Government. It is something that I really do not feel too qualified to discuss.

Mr. REUSS. So we can sum up your testimony on the power aspect of water resources by saying that you have no specific improvements to offer over the present congressional policy. What about irrigation?

General HARDIN. Well, I think there comes a differentiation between irrigation such as we know it in the arid States under the Department of the Interior. I think there is another area of water use such as I outlined here on the Mississippi River which needs some consideration of treatment. We refer to it as water supply rather than irrigation.

Mr. REUSS. Let me come to the next area which I was going to present to you; namely, domestic, agricultural, and industrial water supply, and include irrigation in that, of course. I would appreciate your views there as to whether present congressional policies in your opinion are inadequate and, if so, how can we improve them?

General HARDIN. Forgive me if I am wrong, but I do not believe there is any policy Congress established on water supply.

Mr. REUSS. May I interrupt, General, to say that it is very easy to forgive you on that because I agree that there is an area where we are deficient in policy, and I have been trying to clear away some of the other areas where Congress has stated a policy, so that we can come to grips with the problem. I suspect it was the nub of your statement before that a clear, overall water policy was necessary. Will you proceed? I am extremely interested.

General HARDIN. From the standpoint of water supply—and I refer, of course, to water supply in the sense of utilizing the opportunity of incorporating the idea of water supply in Federal undertakings that are primarily for some other purpose, for instance, water supply from the standpoint of taking water out of the federally improved Mississippi River.

Mr. REUSS. A problem that Congressman Davis was referring to a moment ago when he spoke of Memphis' plans for a five-point-pumping station, and so on.

General HARDIN. Water supply from the standpoint of providing storage areas in reservoirs which may be built in areas primarily for other purposes. Water supply, even to the point of providing storage primarily for water supply in itself, if that need is of national significance and not just a local proposition.

Mr. JONES. In planning these reservoirs for storage and flood control, and other uses, we have to anticipate the need for water 10, 20, and 30 years from this time, even though at the moment there would be no apparent use for that water; is that correct?

General HARDIN. Yes. That poses a problem, Mr. Chairman, but I really think the wisdom of Congress will have to be applied to that, because there you touched on the vital point of what is in the national interest so far as Federal attitudes are concerned on the payment or deferment of payment, or to what degree payment will be paid. Those things are recognized as problems, but I would not venture an opinion as to how they should be handled. I think it is an extremely broad problem, and for various areas to be treated equitably, there should be a well considered national policy prepared on the subject.

Mr. JONES. Now, will you forgive me, Mr. Reuss?

Mr. REUSS. Yes.

Mr. JONES. If you carry a project before Mr. Davis' committee for economic justification of that project, that water use has to be proven at the time you construct it and not 10 or 20 years from now in order to make it economically justifiable.

General HARDIN. Yes, sir.

Mr. JONES. Therefore, you think they should give greater latitude to anticipate the economic benefits that it might have at some future date, because you know inevitably the use of that water will be made in the area where the reservoir is constructed and in that way make it more economically justifiable?

General HARDIN. Yes, sir.

Mr. REUSS. Am I stating your thought correctly, General, when I say your view is that while the mission of the Corps of Engineers in particular and the Federal Government in general as to navigation and flood control has been quite clearly and accurately stated by Congress, that you feel the Congress should define an additional third mission to include the broad problem of domestic, agricultural, and industrial water supply, both present and future; not in the sense that that means the Federal Government will go in and handle every community's domestic water-supply problem—God forbid—but that there should be recognized a Federal interest from the standpoint of long-term planning. Would you accept that statement? I do not want to put words in your mouth.

General HARDIN. Yes, sir. I think that reflects my feeling very well.

Mr. LIPSCOMB. Will the gentleman yield?

Mr. REUSS. Surely.

Mr. LIPSCOMB. Mr. Reuss, will you also include in that stream pollution?

Mr. REUSS. Yes, sir. I was coming to that, but Congressman Lipscomb has quite rightly, I think, indicated that that is part of the complex of the domestic, industrial, and agricultural water supply and, therefore, I would like to include that as part of the overall Federal planning responsibility which you think should be the subject of a good, long, hard look by Congress.

General HARDIN. I do indeed.

Mr. REUSS. Thank you, General, for giving your views on this which believe me, are mighty important. I take it, then, that when in reply to a question from my colleague, Congressman Lipscomb a few moments ago, you said there should be a clearly stated water-resources policy, you were referring not to navigation, flood control, and power where, so far as you know the congressional statement on the subject is substantially adequate, but to this whole broad area of domestic, agricultural, and industrial water supply including phases at least of irrigation, including pollution?

General HARDIN. That is correct, Mr. Reuss.

Mr. REUSS. Thank you very much.

Mrs. GRIFFITHS. May I ask a question, Mr. Chairman?

Mr. JONES. Mrs. Griffiths.

Mrs. GRIFFITHS. General, I would like to ask you if in your judgment in the future there could arise a time when one additional plant or additional plants along the Mississippi River using water could

conceivably endanger or absolutely destroy the water supply for New Orleans?

General HARDIN. Mrs. Griffiths, if we allow pollution to occur, it is very conceivable in my mind that you could do that very thing, because some plant effluents are highly objectionable from the standpoint of potability of water and, therefore, from that aspect you are right, in my opinion, that we have to watch out for that.

Mrs. GRIFFITHS. So that the Federal Government must either act now along the Mississippi River to guarantee the water supply or it is going to have to control the use. Is that right?

General HARDIN. I think those things should go hand in hand.

Mrs. GRIFFITHS. It is going to have to guarantee both the supply and the use. You could have to do both, but if you would guarantee a sufficient supply it would, of course, never have a controlled use.

General HARDIN. I feel the Federal Government's responsibility with regard to the supply should be looked upon in this light: That as our Nation grows and the needs for industry and even for agricultural consumption increase, we must anticipate that and not let the situation develop until we get our backs up to the wall. Therefore, there is a need for a constant watch and a requirement for long-range improvement of our water resources so that the generations that are coming after us will have an adequate water supply.

Certainly I think we would be unwise in allowing situations to develop where this cherished resource is abused. If communities or industries are so oblivious of the interests around us as to start a process of deterioration in the quality of the water that they use, then I think there should be steps taken to prevent it. There are laws on that subject, as you know, that we are required to enforce, but they go only so far as the effect upon navigation is concerned. If somebody pours some stuff in the river which is harmful to a boat, why, we are required to see that steps are taken to have that aspect handled by due process of law.

Mrs. GRIFFITHS. Then what you are saying, and with which I agree, is that this is really a Federal problem.

General HARDIN. I think so.

Mrs. GRIFFITHS. And that if the States or communities interfere with other States or communities then the Federal Government simply has to step in.

General HARDIN. I think so.

Mrs. GRIFFITHS. Thank you.

Mr. LIPSCOMB. To clarify my mind in regard to some of the questions my colleague asked in regard to navigation and flood control, did you mean that the policy with respect to navigation and flood control in your particular area is well defined, or do you feel it is defined for all areas such as the New England area, or the Potomac River, or other areas where they have navigation and flood control? Or, has the legislation in respect to policy been rather piecemeal in regard to navigation and flood control?

General HARDIN. Well, Mr. Lipscomb, let us take flood control first. I think there has unquestionably been a piecemeal approach to flood control. I do not have any quarrel with that. Each area of our country is a little different from another area in even the background of development.

Now, let me take a moment of your time and use this project which I referred to as the Mississippi River and tributaries. The Federal Government has not built this project for the people here in the valley. They have been struggling with it for 200 years and they spent more money on it in terms of purchasing power than the Federal Government has come anywhere near spending. They began providing for their own protection way back in 1817. Before the Civil War there was a pretty good levee line along the river here but it was not big enough. There are communities alongside of them where you could not devise a continuous program with that kind of an arrangement. But our records show they spent $218 million in the flood fight in this valley before the Federal Government took it over as a primary responsibility of the Federal Government in 1928. Those were dollars which had a different purchasing power from those of today.

So when Congress passed the 1928 Flood Control Act they took notice of the fact that the people down here had been doing things for themselves and as a consequence the degree of local cooperation, so-called, is quite different in this project than it has been in other new undertakings which were, you might say, undertakings which began with the Federal Government's own participation.

As a consequence the degree of local cooperation down here in the lower valley is quite different in the project I am now administering than it would be for a project I am also administering in other portions of my Division where we started fresh. I think that is just an example of the different conditions in different parts of the United States, which have to be taken into consideration. We frequently hear the criticism, for instance, that there is not uniformity in the application of degree of local cooperation. Well, that is true, but there is not much uniformity in the country itself. So Congress has handled the development of flood-control legislation in different basins on a different basis.

That is the reason why I say I have no criticisms of the lack of complete uniformity. What will come out of the treatment of the New England situation may be different from the treatment of the situation which would occur on the upper Mississippi, for instance—and for the good reason that nothing is quite alike in this country.

I hope I have answered your question, sir, as far as flood control goes.

Mr. LIPSCOMB. We were up in Pennsylvania some time ago and in the Delaware River Basin. They have not progressed anywhere near as fast as or as far as this basin has. Are they working under the same overall policy except for the difference in their problems in that particular area? Do we have a policy that they could go ahead with?

General HARDIN. Oh, yes.

Mr. LIPSCOMB. If Congress would initiate it, or if they did it themselves?

General HARDIN. Well, I am not quite sure that the report on the Incodel project has ever been completely finished. I know there was difficulty at one time when I was associated with it. But it was reflected in the inability to get divergent interests to coordinate their positions. I do not know whether that has been changed or not.

Mr. LIPSCOMB. I got the impression that the Incodel project was not successful when we were up there and that they had just about given up. I think that that answers my question.

General HARDIN. I might point out we are rather proud of the way that the lower Mississippi Valley project has been handled by a commission. We are involved in seven States at one time. Those seven States were not to willing to give and take. The historical background of this project is one of rather severe conflict, but I credit the Mississippi River Commission with having done a great deal to gain the confidence of the divergent groups and reflect the multitude of interests involved; and, by a patient and sympathetic treatment of the problem resolved a great many of these things. I know right now of no serious conflict within our valley.

Mr. REUSS. General, on the question of the overall flood-control policy is this not true, that there is an overall flood-control policy that the Federal Government recognizes through its various branches, including notably the Corps of Engineers; that is, a Federal responsibility to contribute massively toward flood-control works, and that contribution, of course, will not be made where local interests, State, county, and municipal, do not request it or ask for it? Is that not the reason why, for example, there were disastrous floods in New England where by and large there are few Federal flood-control works, and the reason why also in recent years in this region floods have been substantially although not completely brought under control?

General HARDIN. To answer your first question, Mr. Reuss, I do feel that there is a Federal flood-control policy in the act of 1936 and its amendments, which are the basis of that flood-control policy. The application of that policy results in some deviations from one area of the country to the other based at times upon the circumstances surrounding the proposed development such as are outlined as applied to our own basin. But I hope that I did not give the impression that I do not feel there is a flood-control policy, because I do feel that there is one in existence.

Mr. REUSS. I was sure that was your view and that if in some areas of the country, unhappily, there are inadequate flood-control measures, that is not the result of a conscious Federal policy to deny relief to those areas, but is a result of the failure of local interests, very largely, to apply for those Federal aids and contributions.

General HARDIN. Or other things can contribute to it. The magnitude of the problem may make it unwise—I know of none but there might be a situation where the economics would determine whether or not there should be an improvement in the area. Of course, after all, there is a certain degree of responsibility on the part of the local interests and their willingness to cooperate or agree on a plan, because without that the Federal Government would not dare move in and start building something that would be opposed and would have such opposition where you could not overcome it.

Mr. REUSS. As you said here several times this morning, your accomplishments in the Mississippi Valley area have been due in no small measure to the rather complete cooperation of the States and local people. Is that not correct?

General HARDIN. That is correct. Yes, sir.

Mr. REUSS. Thank you.

Mr. DAVIS. Mr. Reuss, may I interpose this thought also? I do not know anywhere in the Federal Government where the Corps of Engineers with the cooperating agencies on all levels of Government, have

stretched a dollar farther than they have in the lower Mississippi. I say that with deep thought, General. How much did we finally wind up with for the lower Mississippi in the last appropriation? Was it $60.5 million, approximately?

General HARDIN. I think that is just a little bit high, Mr. Davis.

Mr. DAVIS. It is right along in there, somewhere between 55 and 61 or 62 million dollars.

General HARDIN. Rather than $61 million I think it was $58 million.

Mr. DAVIS. It was right along in between those figures. So it has been a slow, long-drawn-out process. However, supplementing what the general has said, it applies to the question on both sides. It has been continuous and going along without interruption. Of course, it has taken more years than we thought it should have taken. Yet it has been a plan and the plan has worked year after year, whereas in some other sections of the country the law which would provide the plan has been on the books but the plan has not been going along. This boils down to the thought of how are you going to stretch that dollar over a wider area of the country?

Personally I want to tell my colleagues I hope to see the day coming when we can transfer some of these huge expenditures we make to foreign nations without getting into the philosophy of why we are doing that. I hope to see the day when we can start withdrawing some of those huge expenditures and use them at home to bring about the protection on our rivers for human needs and so that property as well will not be destroyed, and when we can get the greatest benefit out of the water that falls, and which is available underground and above. So we need some dollars along in there, too, General, every year. We have to worry and sweat and plead for this very minimum amount. And they do get along on it.

I will tell you, sometimes I wonder. Of course, we are always praying, if I may use that word seriously—we are always praying that some big emergency will not hit us and destroy some of the work we are working on and destroy and take away some of the money we are seeking to use constructively in order to take care of the damage to the structure.

I have made too many speeches here, General, and I want to apologize to the committee for that. I just told Congressman Lipscomb to remind me of this, that in the next session, Bob, we are going to have a tough problem with the highway bill up in our committee and this overall water resources and flood-control problem. I mean sincerely every day in the week we will have to be meeting, because our committee is expecting to bring out a very, very sizable bill and who knows but what the general will have ready a complete reevaluation of the whole lower Mississippi, bringing it right up to date. That is going to be a big one. So we will need all of you on other committees.

I am so happy you are here to get firsthand knowledge on this matter in the course of this very splendid hearing, Mr. Chairman. I have been in a lot of hearings but I think you are doing a grand job. You are being informed, and I am so delighted. I repeat, that these people are here without the interference of local telephones and the other responsibilities of a congressional office, to have their minds set at rest on this one problem which faces the Nation.

I believe conscientious and serious-minded Members of Congress can do a better job when they go out in the field and get the feel of things. Excuse me for taking up all this time.

Mr. JONES. I am glad to have your observations.

General, Chairman Davis does not realize the number of petitions that we have accumulated to present to him and the pleas that have been made to us to be sure to talk with Chairman Davis on the Flood Control Subcommittee and be sure to get this and that project activated next year. So, he is going to have a great audience before him as soon as the Congress reconvenes.

Mr. DAVIS. We will have to send for Mr. Whittington. He can hear 100 witnesses in a few hours.

Mr. JONES. General, at the present time we have economic justification for projects for flood control or generation of hydroelectric power and for navigation. Do you think it would be wise, for greater implementation of these projects, to include enough of the fourth economic factor of industrial and domestic water supply as a justification for the authorization of a project?

General HARDIN. Yes, sir.

Mr. JONES. And that information on the economic benefits to be derived from the Federal construction of the project should include not only those three factors but additionally a fourth factor of domestic and industrial water supply?

General HARDIN. I think, Mr. Chairman, that a method of analysis might be devised along that line. I have not thought it through to any degree but I think that it could be done.

Mr. JONES. Now, if the Congress in its wisdom included that fourth factor and made it eligible for consideration as an economic benefit to be derived from the Federal investment in a project, it would mean that a great host of projects now authorized would then have to be reconsidered? Do you not think it would be wise for the Congress to reconsider the authorized projects, particularly those projects which have that possibility?

General HARDIN. I think just a quick opinion, Mr. Chairman, would be that on a project which is already well justified from the standpoint of the benefit-cost ratio, there would not be much question as to the worthiness of that project if the water supply were introduced into it also.

Mr. JONES. But it does require some modification of the engineering plans.

General HARDIN. It might well be so. However, I was thinking of the other category projects that are on the borderline side which could specifically be included with the other uses of water. Most projects which would reach the authorization stage could be modified in the detail design stage, I believe, to accommodate some water supply.

Mr. JONES. In most of the projects it would mean a total Federal responsibility, would it not? I have in mind this situation: The dams that are built on the upper reaches of the Missouri, the Ohio and the Tennessee, by impounding reservoirs, make the city of New Orleans' water supply safe. They make that water supply secure and also secure a greater abundance of water for the use of New Orleans, or Memphis, or Vicksburg, and those localities on the lower reaches of the Mississippi River. Would that not be true, sir?

General HARDIN. Yes, sir.

Mr. JONES. It would be most difficult for the Congress to write a formula for local participation for the city of New Orleans in a project on which they are a beneficiary all the way back in Montana or on the upper reaches of the West Virginia mountains, would it not?

General HARDIN. I think it would be extremely difficult. It would be as difficult, if not more so, than the business of arriving at some equitable user charge in the navigation field.

Mr. JONES. And that would not mean it is a local problem. Therefore, you would have to wait for some local interests——

General HARDIN. No. sir. I think some of our big water supply problems have local aspects to them, but I believe that some of them are, in effect, national problems where so many States are involved. The problem of determining what kind of a distribution of charges is to be made under those circumstances get so involved that I do not know how you would resolve it. And, therefore, I think that is the proper place for the Federal Government to take a position.

Mr. JONES. Can you conceive of any way that the Federal Government could write a formula with mathematical certainty to make the particular division which would be required of how much is local interest and how much is Federal interest?

General HARDIN. I think that if the policy were adopted—and I must say I am speaking without very much preparation on this subject——

Mr. JONES. I will say this: You are expressing the hopes and aspirations of everybody I know of who has appeared before this committee everywhere. There is a universal cry throughout the country for more water. How they will finance it so that they can get their water or how their industrial life will be continued without more water, they do not know.

General HARDIN. To answer your question as specifically as I can, Mr. Chairman, as I said, with the limited preparation I have made on the subject, I do think there are fields of water conservation that could be shown to Congress to be national in interest. In those categories of the supply and conservation and storage of water, it would be in keeping with the Federal interests to bear that portion of the burden. There will unquestionably be a certain proportion of the water supply which will be incorporated within a project, like Garrison Dam, for instance, that would have local aspects where you could define and get a supporter for it, or a commitment from someone who would be willing to pay a share of that storage. But I think in some areas, just like the one I mentioned where you have Fort Peck and Garrison Dam and possibly other big reservoirs in the Missouri Basin, that the value of that water to the Nation justifies the Federal burden being borne by the Federal Government.

The report itself would point that out and it could be evaluated in the Congress as to whether it was worthy of recommendation.

Mr. JONES. Mrs. Griffiths.

Mrs. GRIFFITHS. I certainly enjoyed your testimony, General.

Mr. JONES. Mr. Reuss.

Mr. REUSS. No questions.

Mr. JONES. Mr. Lipscomb.

Mr. LIPSCOMB. No questions.

Mr. JONES. General, let me thank you for coming up and being with us today.

I have one more question. How long has the Corps of Engineers been operating on the Mississippi River?

General HARDIN. Since 1824.

Mr. JONES. 1824. I believe you had a major from St. Louis by the name of Robert E. Lee at the time.

General HARDIN. Yes, sir; I believe he was. He was district engineer in St. Louis.

Mr. JONES. No wonder we had such good plans laid out back in 1840, I believe it was. It was good to have you, General. Thank you very much for being with us today.

General HARDIN. Thank you.

Mr. JONES. General, before you get away, Mr. Reuss wanted to bring up a matter or make an observation.

Mr. REUSS. I did not really want to do this, but I did tell my colleagues that in my State of Wisconsin, at Green Bay, in the 1930's or 1940's, the district engineer for a while, I think, was a then Capt. U. S. Grant. I did not mean that to get in the record, however.

Mr. DAVIS. You cannot beat these engineers.

Mr. JONES. Well, there is one thing that is sure. The engineers cannot lose by having two good generals.

General HARDIN. No, sir. I am very proud of the fact that General Lee had something to do with the Mississippi River. It is news to me that General Grant had anything to do with it.

Mr. JONES. Thank you, General.

Now, our next witness will be selected by Mr. Kittrell.

Mr. KITTRELL. Our next witness, Mr. Chairman, is Mr. E. T. Winter, from St. Louis, representing the Mississippi Valley Association.

STATEMENT OF EVERETT T. WINTER, ST. LOUIS, MO., EXECUTIVE VICE PRESIDENT, MISSISSIPPI VALLEY ASSOCIATION

Mr. WINTER. First of all, Mr. Chairman, I want to say it is a real pleasure to appear before your committee here in Memphis, as I have so many times in Washington.

Mr. JONES. I was going to say, Mr. Winter, we had better not hold a hearing on water resources without your being present.

Mr. WINTER. And with your distinguished colleague in his home district, it is kind of like a homecoming.

Mr. JONES. Won't you sit down, Mr. Winter? You may proceed.

Mr. WINTER. Mr. Chairman and members of the committee, my name is Everett T. Winter, and I am executive vice president of the Mississippi Valley Association with headquarters in St. Louis, Mo. The association maintains division offices in New Orleans, Chicago, and Omaha and maintains a research office in Washington, D. C. The association is a nonprofit organization founded in 1919 and is dedicated to the conservation and proper use of our water resources.

At our 36th annual meeting held in St. Louis last February, more than a thousand delegates from 30 States and the District of Columbia passed without a dissenting vote the following resolution:

TOLLS OR USER CHARGES

We emphatically oppose the imposition of tolls or user charges for use of our inland navigable waterways in the transportation of persons or property.

The responsibility of the Federal Government, with respect to such inland navigable waterways, both from the standpoint of the Constitution and its interpretation in practice, is identical with that relating to all of the coastal regions and fresh and salt water harbors of the Nation. Any change in this traditional policy or limitation upon the full scope of this historic Federal responsibility, is detrimental to the public interest.

In considering the proposal of the Hoover Commission Report on Water Resources, I believe this committee is seeking the answers to several basic questions which go to the heart of the issue. The first of these questions is, Who is asking for tolls or "user" charges on the inland waterways? And closely related is the question, Why just the inland waterways?

I am appearing here as an officer of the Mississippi Valley Association, which represents shipping, industrial and consumer interest in 23 States in the Middle West and South—the area directly affected by this proposal. I can assure you that the shippers in this Mid-Continent area do not want tolls on carriers of any type operating on public transportation routes. Industry, which depends upon the inland waterways for the transport of much of its raw materials, as well as for many of its finished products, does not want tolls. The farmer, who can reach many domestic markets and all overseas markets only when low-cost water transportation is available, does not want tolls. And certainly the consumer, who in the final analysis pays the bills on all transportation charges, does not want tolls.

The inland waterway industry, including the barge companies, port officials, and warehousemen, do not want them. I've never seen a public statement yet from the trucking industry favoring tolls.

It seems apparent, then, that the only demand for tolls comes from one form of transportation. It seems equally clear that such a demand is motivated by selfish rather than public interest. It might be added that the railroads' demand does not even represent enlightened self-interest, for it is a demonstrable fact that the most prosperous railroads in this country are those which parallel water transportation, which in turn has built industry and developed markets for agriculture.

It is this fact which prompts the second half of the question, Why just the inland waterways? Why not the Great Lakes as well? No distinction can be made between them. The harbors of the Great Lakes are improved and maintained by the Federal Government, as are the connecting channels. They benefit the shipper and the consumer and serve industry and agriculture. I submit it is obvious that the answer to the first half of the question is also the answer to the second half.

The answer to this first question makes clear the position of the Mississippi Valley Association and its members. We have consistently opposed all proposals for tolls or "user" charges on the inland waterways—or on any form of transportation. However, if tolls are imposed, a serious second question is raised, How shall the benefits and costs be assessed—and against whom?

Navigation projects contribute to many other phases of the Nation's water resources program, including flood control, the impounding of surplus waters, etc. To my best knowledge, no one has yet provided a satisfactory answer to how these benefits shall be apportioned. Let me cite a specific example: Throughout the Mississippi Basin the rail-

roads usually seek the water level route. Along the Missouri River the rail lines parallel the channel. Without flood control, to which navigation makes an important contribution, these rail lines would be unable to operate in periods of flood. Is it not logical, then, that the rail lines which benefit from the Federal expenditure of money should not be assessed a fair share of the cost? Similarly, the railroads benefit from all harbor projects, both for improvements and maintenance. If tolls are imposed on the inland water carriers for these improvements, then why not on the railroads?

Again let me emphasize our position. We are opposed to all forms of tolls on transportation—but if we must have tolls, let the benefit ratio on which they are based be assessed against all forms of transportation which benefit.

The third and most important question to be answered on this issue is, Are tolls in the public interest? In seeking the answer, I submit we must take a long, hard look at our future as well as existing transportation needs—both for our domestic economy and for national security.

The population of the United States is now increasing at the rate of 7,000 persons a day. By 1975, just 20 years hence, the Bureau of the Census estimates we shall have a population of 200 million. Obviously to supply the needs and provide for the security of this rapidly expanding population, we shall need more transportation of all forms.

The urgent need for providing for the requirements of a rapidly expanding population has been recognized by President Eisenhower who, before his illness, appointed Maj. Gen. John S. Bragdon as a special assistant to the President to coordinate a public-works program in the United States. In his letter of appointment, the President recognized the importance of public works to our economy and the need to provide for these requirements as they arise. In this connection, a statement made by Herbert Hoover in 1927 when he was President of the United States, is significant. Mr. Hoover said:

> That a nation with an annual income of $90 billion can undertake to spend a tenth of 1 percent of its national income on such works (as waterways) requires little argument.

Today we have a national income of $311 billion and we are spending $220 million on our waterways. Thus, we are spending only seventy-one-thousandths of 1 percent of our national income at present which is less than three-quarters of the ratio Mr. Hoover felt would require little argument to support.

In considering this problem, there are some basic facts about the inland waterways which must be taken into account:

1. The potential expansion of traffic on the inland waterways is limited only by the amount of floating equipment and terminals available. We can expand our water services as rapidly as the need arises—and probably at a lower cost than is possible with any other form of transportation.

The inland waterways can handle bulk commodities, including fuels and raw materials, leaving other forms of transport available for finished goods and foodstuffs, and so forth.

3. The inland waterways are the least vulnerable to enemy attack. In the event of a national emergency they might prove to be the only dependable form of transportation.

I submit that tolls which will inevitably restrict the development of the inland waterways, impose unnecessary and unjustified burdens upon shipper and consumer alike, and hamper the development of the expanding and coordinated transportation system this country must have to serve our growing population, are not in the public interest.

Rather than impose additional tolls or "user charges" on one important form of transportation in the United States, may I suggest you take the counsel of our association, which in another resolution said:

We urge the repeal of wartime transportation taxes still being levied against the movement of freight and passengers.

Thank you very much Mr. Chairman for listening to my statement.

Mr. JONES. It is good to have you, Mr. Winter.

Are there any questions?

(No response.)

Mr. JONES. Thank you very much.

Our next witness will be Mr. W. T. Rook, of Memphis Freight Bureau.

We are glad to have you, Mr. Rook.

STATEMENT OF W. T. ROOK, ASSISTANT COMMISSIONER, MEMPHIS FREIGHT BUREAU

Mr. ROOK. Thank you sir. I have only a short statement to make.

Mr. JONES. We will be glad to receive it.

Mr. ROOK. My name is W. T. Rook and I am assistant commissioner of the Memphis Freight Bureau. I have been employed by the Memphis Freight Bureau since December 1941, and have been assistant commissioner since early in 1950.

The Memphis Freight Bureau is a membership organization—a voluntary nonprofit corporation, incorporated under the laws of the State of Tennessee. It was incorporated in March 1895 and has been in active, continuous operation since May 1, 1895. Its membership is composed of shippers and receivers of freight, manufacturers, jobbers, wholesalers, distributors, retailers, banks, trade organizations, utilities, and other interests. It was organized and is maintained for the purpose of protecting, promoting, and fostering the interest of its members and of the community of Memphis and Shelby County, Tenn., in all transportation matters, and there are presently approximately 390 members of the bureau—including both large and small shippers and receivers of freight. No transportation companies of any kind, either by water or by rail or by highway, can maintain any membership in the Memphis Freight Bureau or have any voice in the direction of its affairs.

The Memphis Freight Bureau's policies are directed by the board of directors which serves without pay, the members of which are representative of a cross-section of the commercial interests of Memphis. These directors are elected annually by the membership and they elect from among their number the officers such as the president, the vice presidents, and the treasurer, who likewise serve in those capacities without pay.

The Memphis Freight Bureau is opposed to toll charges or so-called user charges for the use of the inland waterways or for the improve-

ment and maintenance of such waterways and feels that such a charge would be a burden to inland-waterways traffic and tend to restrict the use of the inland waterways. Such charges would also be contrary to the policy heretofore pursued by the Congress of maintaining free use of the waterways as provided in the Rivers and Harbors Act of August 2, 1882, and reiterated again in 1884 and various subsequent dates.

In order to conserve the committee's time and to avoid duplication, we would like to state that the Memphis Freight Bureau fully concurs in and supports the statement presented at this hearing by Col. Clark Kittrell on behalf of the Memphis and Shelby County Harbor and Port Commission, and by Mr. Everett T. Winter on behalf of the Mississippi Valley Association.

Thank you.

Mr. JONES. Thank you, Mr. Rook. Are there any questions?

(No response.)

Mr. JONES. Thank you, sir.

Mr. Kittrell, will you call your next witness, please?

Mr. KITTRELL. Mr. Chairman, we have next Mr. J. D. Wooten, a local businessman.

Mr. JONES. Fine. Will you come around, Mr. Wooten?

Mr. DAVIS. I would like to welcome Mr. Wooten. He is a very highly successful businessman with a tremendous use of and knowledge of the river. We know him in this area as the vice chairman of our harbor project.

Mr. Wooten, Iwould like to get this committee down to our harbor project a few minutes.

STATEMENT BY JESSE D. WOOTEN, EXECUTIVE VICE PRESIDENT, MID-SOUTH CHEMICAL CORP., MEMPHIS, TENN.

Mr. WOOTEN. We are more and more having something to show down there.

Mr. DAVIS. I know that and I want them to see it.

Mr. JONES. I want to assure you of one thing, Mr. Wooten. He never lets us forget the Memphis harbor project.

Mr. DAVIS. We have some work to do down there.

Mr. WOOTEN. It involves the future well-being of the entire area. That is what we on the harbor commission think.

Mr. JONES. The city of Memphis is very fortunate to have the chairman of the Flood Control Committee in the Congress to protect and further their interests. He has been devoted since I have known him to the Memphis harbor. As a matter of fact, I sometimes think he does not get very far away from the harbor.

Mr. DAVIS. It is a very worthwhile project.

Mr. JONES. We have been kidding him about it a great deal. He always talks about the lower Mississippi and the harbor project in Memphis. We are glad to have you, Mr. Wooten.

Mr. WOOTEN. Thank you, sir. I will read this short statement. I want to apologize for the incompleteness of it.

I was up at Peoria last night on important business and they really had a snow up there and I was a little late getting in.

Mr. JONES. Snow?

Mr. WOOTEN. Yes, sir.

My name is Jesse Wooten and my principal occupation is executive vice-president of the Mid-South Chemical Corp. of Memphis, Tenn. However, in addition to the chemical business I have been for 25 years engaged in the distribution of petroleum products throughout the Mid-south area. I first engaged in the petroleum business as a wholesale distributor in Tunica County, Miss., in 1930. Shortly after entering the business I discovered that our prices were not competitive with Memphis and other points that had facilities to receive by barge, and in partnership with Ellis T. Woolfolk of Tunica, we formed the Mid-South Oil Co. with the intention of barging our gasoline into the delta area, and distributing to our various bulk plants from a river terminal. We established a terminal near Friars Point, Miss., in 1935, and since that time our gasoline for that area has moved by barge from Smiths Bluff, Tex., into our Friars Point terminal, thence into bulk plants in the area.

It is interesting to note that at the time of the establishment of this terminal rail freight into the delta area was approximately 2¼ cents per gallon, whereas gasoline moving from Baton Rouge to Memphis by barge was 1 cent per gallon. Shortly after our terminal was established at Friars Point, competitors established terminals at Vicksburg and Greenville, thus the movement of gasoline in large quantities by river was effected, and over the years since establishment of these terminals all the people of north Mississippi have saved millions of dollars on their gasoline and fuel oil. Later, we established a gasoline terminal on the river at Memphis, Tenn., to receive products by barge, thus extending the benefits of this plan of marketing to our customers throughout the entire Midsouth.

During World War II it became almost impossible for farmers to purchase the nitrogen they needed, regardless of price, but after the war came to a close the anhydrous ammonia plants that the Government had built in various sections of the country were sold to private industry, and it became known that anhydrous ammonia could be injected into the soil, and that handled in this way it was the cheapest and best source of nitrogen. However, anhydrous ammonia has to be handled in vessels that will stand 250 pounds of pressure, and tank cars were very expensive and freight rates were high. Having had experience in river transportation, Mr. Woolfolk and I, along with our associates, formed the Mid-South Chemical Corp., and set up approximately 100 distributing plants throughout the Midsouth.

We are now expanding this business and changing our method of operation in that we are moving the anhydrous ammonia by barge from points in Texas and Louisiana to Memphis and distributing it to our bulk plants throughout the Midsouth by truck and tank car. This is and will continue to save the farmers in the Midsouth large sums of money, and nitrogen in adequate quantities is lifting the income of the farmers generally. As is illustrated by the attached map, our marketing plans call for additional terminals on upriver points, and we have established an anhydrous ammonia terminal at Harlingen, Tex., and are now starting construction on a terminal at Peoria, Ill.

We feel that with this plan of distributing anhydrous ammonia from our sources of supply in Texas and Louisiana, we are able to make nitrogen available to the farmers over a large area at prices that they can afford to pay, and that this definitely illustrates the need for

low-cost water movement inasmuch as we can economically reach the majority of the farmers in the Central, North Central, South Central, and Southeastern States, and supply them with the vital plant element at reasonable prices.

Gentlemen, that is our story as a company and as an individual. We have conceived and set up a marketing plan for the distribution of anhydrous ammonia. As illustrated here our manufacturing facilities are located in Lake Charles, La.

Through the intracoastal canal we go to Harlingen, Tex., and up the Mississippi and Ohio Rivers. We are establishing terminals and will go up as far as Minnesota where we will reach into Wisconsin, Minnesota, and southern Iowa.

In going over this statement with one of my associates he said, "One question that will probably be asked is are these transportation savings in gasoline and anhydrous ammonia, and other commodities, passed on to the consumer."

So, before I am asked that question I will deal with it by saying, not as such have they been passed on, but based on our experience in the oil business, and based on the experience we are now beginning to have already in the anhydrous ammonia business, the competition is seeing to it that the public quickly gets the benefits of transportation savings. So river transportation and the economies of river transportation are not only along these lines, as I have mentioned, but they are on all large bulk commodities and are enabling a manufacturer in one area and a manufacturer in another area not to have price monopolies.

The economies made on transportation of things like anhydrous ammonia and gasoline which are everyday necessities to so many people, are being passed on to the consuming public.

Mr. JONES. Are there any questions?

(No response.)

Mr. JONES. You might explain to the committee what anhydrous ammonia is and the nature of it, because we have a California farmer, a Michigan farmer, and a Wisconsin farmer on this committee and they have not used that form of fertilizer yet.

Mr. WOOTEN. Well, I wish it were about 8 o'clock this morning so I could do the job justice, but I will do it as quickly as I can.

Anhydrous ammonia is 82 percent nitrogen. It has been used for many, many years, but plants to manufacture it in quantity did not come into being in this country until World War II when our effort made it necessary for the Government to go in and build these plants in various sections of the country. The building largely was done close to sources of natural gas and where management was available for the operation. After the war came to a close these plants were sold to various organizations in the country.

Through work that was done in California and much work that was done by the Mississippi Experiment Station, it was quickly shown to the various farmers that anhydrous ammonia could be released from pressure at 200 to 250 pounds through a series of valves and tubes and injected into the soil about 8 inches down. There it combined with the particles of clay and became fixed. It has less leachability than other forms of nitrogen put into the soil; it is cheaper in price than other forms of nitrogen because Chilean nitrate has to be brought in and ammonium nitrate and ammonium sulfate and the

other forms of fertilizer are simply based on converting anhydrous ammonia into a solid. That conversion process is expensive and the transportation of ammonium nitrate, by way of illustration, is more costly because it is a heavy tonnage product.

Mr. JONES. That is what we Alabama farmers call soda.

Mr. WOOTEN. Soda is a nitrate of soda. Ammonium nitrate is 32 percent nitrogen and the balance of the bag is clay. Anhydrous ammonia is 82 percent nitrogen. So, our economy comes about by not having to go into the process of manufacture and entailing the additional freight which it takes to carry it. Of course the benefits of using nitrogen are going to be a wonderful thing for this crowded population which we have ahead of us. It is making it possible for our farmers to be more prosperous, but the big headache that Mr. Benson is having this year is coming about because of adequate quantities of nitrogen being available to our farmers.

Mrs. GRIFFITHS. You mean when we reduced the acreage controls?

Mr. WOOTEN. Yes. I was interested in the comments made on irrigation. I had a hill farm in Mississippi. Traveling in California and Colorado, and various places where irrigation is practiced, I saw a way in which I could dam up a hollow and through stream irrigation and furrow irrigation reach nearly all of our cultivated land. So I got that process working as of last year and, believing what I say about anhydrous ammonia, although it is Mississippi, a traditionally poor State, we have our corn yield up to where it is better than 100 bushels to the acre this year. On the same land where last year we made 100 bales of cotton, we have already passed the 200-bale mark this year.

Mr. JONES. Look out California, here we come.

Mr. LIPSCOMB. I note, Mr. Chairman, he got some of his ideas from our great State of California.

Mr. WOOTEN. I got anhydrous ammonia there, too. I was at that time chairman of the agricultural committee of the American Petroleum Institute. It is our job to meet in various major agricultural areas to interpret to the farmers and to the soil interests what the needs of the farmers are and what our relationships should be. We met in 1946 in California, and I had the pleasure of going out to an experimental farm at Modesto and saw an anhydrous ammonia experiment where they injected it into the ground. So with that start and turning it loose here, we had a little advance information because we saw it in California.

Mr. LIPSCOMB. Was that a University of California thing?

Mr. WOOTEN. No; it was a Shell Chemical setup.

Mr. JONES. That is in the San Joaquin Valley?

Mr. WOOTEN. Yes, sir.

Mr. JONES. Thank you very much, Mr. Wooten.

Mr. WOOTEN. Thank you, sir, for letting me appear.

Mr. JONES. Our next witness will be Mr. Dana M. Henking.

STATEMENT OF DANA M. HENKING, MEMPHIS, TENN., PRESIDENT, PROPELLER CLUB OF THE UNITED STATES

Mr. HENKING. Thank you, Mr. Chairman. My statement will necessarily be brief.

Mr. JONES. We are glad to have you, Mr. Henking. Will you be seated, sir?

Mr. HENKING. Yes, sir.

My name is Dana M. Henking. I am a resident of Memphis, Tenn. I appear before you as the president and representative of the Propeller Club of the United States, port of Memphis, Tenn., and as representative of the Propeller Club of the United States, ports of Cincinnati, Ohio, Huntington, W. Va., Louisville, Ky., Nashville, Tenn., Paducah, Ky., and Pittsburgh, Pa., comprising the Ohio Valley region; and the ports of Camden, Ark., Joliet, Ill., St. Louis, Mo., and the Twin Cities (St. Paul and Minneapolis, Minn.) comprising the Mississippi Valley region; Bellingham, Wash., Shelton, Wash., Portland, Oreg., Seattle, Wash., and Tacoma, Wash., comprising the North Pacific coast region; Baton Rouge and New Orleans, La., Port Isabel, Corpus Christi, Galveston, Houston, and Sabine, Tex., comprising the west gulf coast region; Charleston, S. C., Savannah, Ga., Jacksonville, Miami, Palm Beach, and Everglades, Fla., comprising the South Atlantic region.

I desire to have entered in the minutes of this meeting the following resolution adopted at the 29th annual convention of the Propeller Club of the United States and the American Merchant Marine Conference held at New Orleans, La., October 9 through 12, 1955:

The Commission on Organization of the Executive Branch of the Government (the Hoover Commission) has proposed Federal legislation to levy tolls or user charges on inland waterway commercial traffic and large pleasure craft. This recommendation is contrary to national policy, tradition, custom, and the Constitution of the United States.

The entire report of the Commission on water resources failed to win the assent of many of the Commissioners themselves who found its premise and conclusions erroneous in this particular.

The imposition of tolls would disturb a long-established balance in the pattern of transportation costs with resultant increase in such costs to the shipping public.

A completely just allocation of the cost of river improvements undertaken for the national welfare among all the immediate beneficiaries of such improvements would not be feasible, and the mechanics of assigning and collecting such charges would involve costs out of all relation to the revenue involved, and the Propeller Club of the United States hereby affirms its opposition to tolls on inland waterways.

Mr. Chairman, the Propeller Club of the United States, port of Memphis, Tenn., and the sister clubs that I represent hereby go on record as reaffirming their endorsement of the resolution I have recited and urgently request that the economy and welfare of the entire Nation be considered in your deliberations and final recommendations.

Thank you.

Mr. JONES. Thank you very much, Mr. Henking.

Are there any questions?

Mr. REUSS. Mr. Chairman.

Mr. JONES. Mr. Reuss.

Mr. REUSS. Mr. Henking, will you tell us a little bit about the Propeller Club and its functions?

Mr. HENKING. Yes, sir. The Propeller Club is an international organization represented in some 8 or 10 foreign countries as well as our own United States. Its objectives briefly are to support and further and improve the American merchant marine and to aid in the development of river and harbor projects.

Mrs. GRIFFITHS. Does Detroit have one?

Mr. HENKING. Yes, ma'am. They have a very strong club there. I might state that I mentioned I received authority to represent these other clubs. I did that at my own initiative so that the record might reveal the problem we are now discussing is certainly not limited to any one particular locality or any one navigable stream. I can say that these clubs I now represent are now less than one-half of the actual number of clubs in the United States. Frankly, I could have made the list longer but I stayed up until 4 o'clock this morning answering the telephone and finally got tired and took the phone off the hook. However, I demonstrated my point it is practically a nationwide problem. Certainly, as has been mentioned, the city of Detroit has a very strong club and I know in due time they will be heard from.

Mr. REUSS. In the interests of my constituents up in Milwaukee I am glad you quit at 4 o'clock and did not try to get them on the phone at that hour.

Mr. JONES. Thank you very much, Mr. Henking.

Now, Mr. Kittrell, do you have any further witnesses?

Mr. KITTRELL. That concludes our testimony.

Mr. JONES. Are there any people in the audience who would like to testify or who haven't given their names to the committee?

Mr. TAYLOR. Yes, sir; Mr. Chairman. My name is Tyre Taylor. I am representing the Southern States Industrial Council.

Mr. JONES. I received a telegram last night from Washington. I think the clerk has responded to it.

Mr. TAYLOR. Yes, sir. I requested just 10 minutes in which to present our position.

Mr. JONES. You will not be restricted to 10 minutes. What I was going to say is this, Mr. Taylor: We are not going to try to limit you to 10 minutes but will give you whatever time you require. The committee has plans to adjourn at 12:30 and we will reconvene at 1:45, at which time we will be glad to receive your testimony.

Mr. TAYLOR. Fine.

Mr. JONES. I was just making that inquiry to see if there was anybody else. Is there anyone else in the audience who wants to be heard? If you do, come forward and make your desires known to the clerk.

I want to make one other observation. In the hearings of yesterday and the day before or, rather, after those hearings, I ran into several people who felt that the hearings were not open to the public. You local newspapermen take note that this is a public hearing if the people want to attend it. We will be glad to have them attend it as long as we have space to accommodate them.

We will be in recess now until 1:45 p. m.

(Whereupon, at 12:30 p. m., the committee recessed for lunch until 1:45 p. m. the same day.)

AFTERNOON SESSION

Mr. JONES. The subcommittee will come to order. I have a telegram directed to me from Mr. W. T. McKinney, chairman of the Delta Council Flood Control Committee, Stoneville, Miss., and without objection the telegram will be inserted in the record at this point. It is a short telegram. Will the clerk read it, please?

Mr. STURDEVANT (reading):

Congressman Robert E. Jones, Jr., chairman, Special Subcommittee on Water Resources and Power, House Committee on Government Operations, room 304, United States Courthouse, Memphis:

Regret that we were not able to be present for hearing before your subcommittee. Delta council and area economic organization representing the 650,000 people of the Yazoo, Miss., Delta, is opposed to any system of toll charges on inland waterways. Delta council is also opposed to changes in organization concerning flood control works which might affect the civil functions of the Corps of Engineers, United States Army.

W. T. McKinney, chairman, Delta Council Flood Control Committee.

Mr. JONES. Mr. Taylor.

STATEMENT OF TYRE TAYLOR, GENERAL COUNSEL, SOUTHERN STATES INDUSTRIAL COUNCIL

Mr. TAYLOR. Mr. Chairman, I will start all over again.

My name is Tyre Taylor. I practice law in Washington. My address there is 917 15th Street NW. I represent the Southern States Industrial Council, the headquarters of which are in Nashville, Tenn. Mr. E. J. McMillan, past president of the Standard Knitting Mills in Knoxville, Tenn., is the present president of the council.

Mr. JONES. He succeeded Paul Redmond?

Mr. TAYLOR. Yes. He succeeded Paul Redmond, who I am sure you know, Mr. Chairman.

The council was established in 1933. It is a regional organization representing industry and business in the 16 Southern States from Maryland to Texas.

At the last annual meeting of the council's board of directors held in Ponte Verde, Fla., last May, the following policy statement was reaffirmed:

SUBSIDIES

In general, Federal subsidies are politically motivated. Their aim is to gain or retain the political support of particular groups at the expense of all the taxpayers. Federal subsidies also make for additional Federal controls. When the Government supports the price of any commodity, it must of necessity control the production of that commodity.

The council believes that the general welfare will be best served by the progressive elimination of all subsidies, except where necessary to the national defense.

Mr. JONES. What kind of subsidies do you have in mind as national-defense subsidies?

Mr. TAYLOR. I would say any subsidy, Mr. Chairman, other than one that can be justified from the national-defense angle. That is such as these marginal mining operations where you have to pay more money to get out various kinds of minerals and critical materials.

In addition, the council favors a fair and equitable user charge to be paid by those industries which use publicly financed facilities and which compete with other industries which do not use such facilities.

The council, therefore, fully supports recommendation No. 8 of the Hoover Commission on water resources and power and which reads as follows:

Recommendation No. 8

That Congress authorize a user charge on inland waterways except for smaller pleasure craft, sufficient to cover maintenance and operation, and authorize the Interstate Commerce Commission to fix such charges.

I would like to interject right here, Mr. Chairman, that I was tremendously impressed with the presentation made this morning by General Hardin. In taking this position we are in nowise concluding that flood control, navigation, irrigation and these other things are not a legitimate responsibility of the Federal Government. It is just, as I will try to explain in a moment, that we do feel an unfair competitive situation exists with respect to these user charges.

The first question I wish to discuss has to do with the fundamental fairness of the competition that now exists between the different modes of transportation.

On the one hand, we have the railroads. They stand on their own two feet, providing rights-of-way, roadbeds, and all other facilities out of their own pockets. They also pay their full share of Federal, State, and local taxes.

On the other hand, we have the inland waterways. These roadbeds are not provided by private investors. They are provided, improved, and maintained by the Federal Government at the expense of all the taxpayers.

Mr. JONES. Mr. Taylor, let me ask you a question. You brought up an interesting subject for discussion, particularly the fine manner in which the railroads were able to develop their own properties and to carry out their objective of having a good rail transportation facility. However, it is my understanding back in 1946, I believe, that the value of the land or property held by the railroads given to them by the Federal Government in order to encourage them to extend their lines, was in excess of $1,600 million. Do you think in order to eliminate these so-called subsidies in the properties given to the railroads, and the financial assistance they have received in the past from the Federal Government, that those should be sequestered and given back to the Federal Government?

Mr. TAYLOR. Mr. Chairman, as I understand that situation most of that land was in the West and it was given to the railroads to encourage them to push their lines on through to the Pacific Ocean. It is my further understanding that they gave the Government special concessions on the Government's transportation of freight, and so forth, in order to compensate for that; and that they did compensate for the land over and over again, and only within the past couple of years or so has that concession been eliminated.

Mr. JONES. Do you know of any subsidies that the railroads enjoy at the present time?

Mr. TAYLOR. No actual subsidies. No, sir.

Mr. JONES. Do you know how much tax amortization is received, or how many tax amortization certificates the railroads are now receiving for the construction——

Mr. TAYLOR. That might be a subsidy or it might not be, Mr. Chairman, depending on the tax rate in subsequent years. If they went ahead and amortized in a hurry over the first 5 years and their——

Mr. JONES. Do you know whether the railroads are taking advantage of it? I think the whole subject is more or less academic, but I just wanted to follow through on your logic and thinking on the proposition to see if we can go the full limit on your suggestion of eliminating all of these subsidies.

Mr. TAYLOR. If I may finish what I started to say about the railroads, Mr. Chairman?

Mr. JONES. Yes, sir.

Mr. TAYLOR. If they amortized rapidly and the rate of taxes is low they subsequently have to pay a full rate of taxes.

Mr. JONES. I understand that.

Mr. TAYLOR. And, if the rate goes up, they would be stuck, so that some of them take advantage of it and some of them do not. Of course, the Government wants to get them to modernize their facilities and to do everything they can, and I suppose there is a very closely related defense angle here.

Mr. JONES. It stems from the defense effort in the Defense Production Act.

Mr. TAYLOR. Yes.

Mr. JONES. Go ahead.

Mr. TAYLOR. On the other hand, we have the inland waterways. These roadbeds are not provided by private investors. They are provided, improved, and maintained by the Government at the expense of all the taxpayers. They do not stand on their own two feet. They pay no taxes. Users of them are for the most part unregulated. Only a few of them have been designated common carriers and these—according to the Hoover Commission task force—can and do select the kind of commodities they prefer to handle, leaving the burden of hauling freight not considered profitable to the railroads and motor trucks.

Is this fair competition? For our part, we answer this question with a quote from the Hoover Commission Task Force on Water Resources and Power (vol. I, p. 217):

> The Federal navigation program is a direct subsidy to a comparatively limited number of shippers who are in a position to take advantage of the facilities provided at the expense of the taxpayers. It is not fair, nor is it sound political or fiscal practice, to continue these large subsidies in the name of navigation improvements.

Other persuasive considerations might be mentioned in support of fair and equitable user charges. For example:

Such a charge would save the Government a lot of money at a time when the need for economy was never more urgent. According to the Hoover Commission Task Group on Navigation, Federal expenditures for improvement of navigation through 1954 amounted to $4.2 billion, of which $1.7 billion was for operation and maintenance.

Again, user charges sufficient to reimburse the Government for maintenance and operation outlays would prove a powerful deterrent to the typical pork-barrel project—projects for which no sound economic justification exists.

It has also been noted that the principle of tolls for inland canals has already been established. Vessels using the Panama Canal pay tolls and the legislation authorizing the St. Lawrence seaway made it mandatory that tolls be collected sufficient to reimburse the Government for its outlays. As the Hoover Commission correctly observed—

> There is no distinguishing fact, theory, or principle to support user charges for the Panama Canal and St. Lawrence seaway, which does not equally support user charges for inland waterways.

Mr. JONES. May I ask a question, Mr. Taylor? Do you know whether or not the American railroads opposed the construction of the Panama Canal?

Mr. TAYLOR. Whether the American railroads opposed the construction?

Mr. JONES. Yes, sir.

Mr. TAYLOR. No, sir, I do not know.

Mr. JONES. You do not know?

Mr. TAYLOR. No.

Mr. JONES. Do you know whether or not the American railroads opposed the St. Lawrence seaway?

Mr. TAYLOR. They did.

Mr. JONES. Do you know whether or not the railroads opposed the construction of any other navigation project in the country?

Mr. TAYLOR. I cannot think of any at the moment, Mr. Chairman.

Mr. JONES. Thank you.

Mr. TAYLOR. As I say, these and other valid points might be elaborated in support of user charges. However, in the remaining few minutes left to me, I should like to comment briefly upon the dissent entered to this part of the Hoover Commission Report by Representative Holifield, of California, one of the members of the Commission.

Mr. Holifield appears to be disturbed at the possibility that user charges would force the abandonment of "normally economic and justifiable" waterways. He cites the report of the President's Advisory Committee on Transport Policy and Organization, one recommendation of which, if followed, would authorize the ICC to fix minimum and maximum—but not exact—rates for common carriers. The effect of this, Congressman Holifield said, could be to let the railroads reduce rates for hauls paralleling waterways to their bare out-of-pocket cost. He then adds:

> If the advisory committee recommendations are made effective, and this (the Hoover) Commission's recommendation imposing fixed user charges for navigation are put into effect at the same time, the pincers on the waterways will be ready to squeeze. Waterway rates will be forced up at the same time competitors are freed to establish, at their own *discretion, discriminatory low rates based on much less than* the real cost of operation. [Emphasis supplied.]

With all respect to Congressman Holifield, I must say that apparently he has completely misread the report to the President on transportation policy. Let me read some of its recommendations:

First, the declaration of transportation policy, paragraph 2:

> To encourage and promote full competition between modes of transportation at charges not less than reasonable minimum charges, or more than reasonable maximum charges, so as to encourage technical innnovations, the development of new rate and service techniques, and the increase of managerial efficiency, full use of facilities and equipment, and the highest standards of service, economy, efficiency, and benefit to the transportation user and ultimate consumer, *but without unjust discrimination, undue preference or advantage, or undue prejudice,* and without excessive or unreasonable charges on noncompetitive traffic.

Again, paragraph 5 of the recommended transportation policy declares:

> *To require that such minimum economic regulation be fair and impartial, without special restrictions, conditions, or limitations on individual modes of transport.*

What about Mr. Holifield's charge that the railroads could, at their discretion, fix "discriminatory low rates based on much less than the cost of operation to meet and destroy competition"?

Here again the report provides a specific answer. It is found in paragraph 1 at the top of page 11. Authority of the ICC would continue:

> To prescribe rates of common carriers subject to the Interstate Commerce Act which shall be *not less than a just and reasonable minimum. The committee believes that rates are unreasonably low when they are not compensatory*, i. e., *when they fail to cover the direct ascertainable cost of producing the service to which the rates apply.* [Emphasis added.]

Under such a mandate, it is not reasonable to suppose that the ICC—which would have sole responsibility for fixing both user charges and the rates of common carriers—would work out user charges for navigation as a part of the whole transport problem with all forms of transportation based on full cost—a procedure which incidentally Congressman Holifield says makes sense to him.

It makes sense to us, too, and we are, therefore, confident that Mr. Holifield's fears are totally without any factual basis and totally unsupported.

Thank you.

Mr. JONES. Thank you, Mr. Taylor. Are there any questions?

Did the Southern States Industrial Council take up any other aspects of the Hoover Commission's recommendations and discuss them either for approval or disapproval?

Mr. TAYLOR. Yes; they did.

Mr. JONES. Did they take any official action?

Mr. TAYLOR. But I got this assignment, Mr. Chairman, about 3 days before coming down here. I had to borrow the copies of the Hoover Commission report from the Commission and I have not had an opportunity to study the whole thing.

Mr. JONES. I see. You just confined it to recommendation No. 8?

Mr. TAYLOR. No. 8.

Mr. JONES. The Southern States Industrial Council only requested you to discuss recommendation No. 8 of the Commission?

Mr. TAYLOR. As to user charges.

Mr. JONES. User tolls?

Mr. TAYLOR. Yes.

Mr. JONES. Is Mr. Sensing still with you?

Mr. TAYLOR. Yes.

Mr. JONES. What has been the attitude of the Southern States Industrial Council on TVA?

Mr. TAYLOR. The council is opposed to TVA.

Mr. JONES. Do you have any copies of literature that has been undertaken by the Southern States Industrial Council commenting on the operations of the Tennessee Valley Authority?

Mr. TAYLOR. We do; yes, sir.

Mr. JONES. Do you know whether or not the Southern States Industrial Council in that literature states it is a socialistic enterprise, that is, TVA?

Mr. TAYLOR. We regard it as the purest example of socialism to be found in the United States at the present time.

Mr. JONES. And you have made that declaration in your public literature?

Mr. TAYLOR. Yes.

Mr. JONES. Do you know why it was that the Southern States Industrial Council, even though they have had opinions which they

have expressed on other items of the Hoover Commission report, decided only to address themselves to recommendation No. 8 and leave outstanding more of those other important questions?

Mr. TAYLOR. I was perhaps to blame for that, Mr. Chairman. It was a matter of time. That was the request to me and that is what I did. I will say this, that generally——

Mr. JONES. Since the organization you represent considers TVA a socialistic enterprise, do you consider Bonneville a socialistic enterprise?

Mr. TAYLOR. Do we consider what?

Mr. JONES. The Bonneville Administration where the Federal Government invested in power and flood control and then put a preference clause in their authorization which provides that the energy shall first be sold to cooperatives and municipalities so that in that respect it is the same as the Tennessee Valley Authority Act.

Mr. TAYLOR. It tends to socialism. That is, the requirement that public bodies be given first priority.

Mr. JONES. This morning you heard General Hardin testify that he thought it would be wise for the Federal Government to take multipurpose project dams and add one more economic feature for the justification of any such proposed project so as to include reservoir capacity for industrial and domestic water use. Therefore, that would mean it would be another field of Federal endeavor. Would you consider that to be another step along the way to socialism?

Mr. TAYLOR. I do not think I would, sir. I think that is just an elaboration.

Mr. JONES. At the present time that is considered a local problem and should be undertaken by local people.

Mr. TAYLOR. We feel that it should be undertaken by local or state people, or whoever it is in the locality that can do it. At the same time we recognize that this water problem is a national problem and the Federal Government has to interest itself in it. This reservoir thing sounds to me—without being anything except a mere layman in that field——

Mr. JONES. It would be a trespass on local sovereignty once it is exercised by the Federal Government.

Mr. TAYLOR. If it cannot be done any other way I would say it would have to be done that way.

Mr. JONES. Let me go back for just one minute to the aspect of subsidy. What other forms of subsidy do you think the Federal Government should discontinue along with subsidizing the waterborne carriers?

Mr. TAYLOR. Of course there are subsidies to the airlines. That has a defense connection. There are subsidies to our merchant marine. I suppose that has a defense connection. There are subsidies to the farmers.

Mr. JONES. Are you for those subsidies? Is the Southern States Industrial Council for the subsidies to the farmers?

Mr. TAYLOR. No, we are not for them; but I would say it is conceivable that a defense connection could be spelled out there, and we specifically say that we are for the progressive elimination of all subsidies except where necessary to the national defense.

Mr. JONES. We have a surplus of agricultural commodities now, and in no way could you justify the continuation of paying subsidies to the farmers purely as a defense measure.

Mr. TAYLOR. I cannot see it, either. I said conceivably something might be spelled out of it. Of course the immediate rigid price support is not the answer to the farm problem. It just results in piling up these enormous surpluses which depress the market and apparently do not solve anything.

Mr. JONES. So you think there is a justification for the continuation of subsidies paid to the farmers for acreage controls in order to carry out 90 percent of parity formula?

Mr. TAYLOR. I do not say that. I say that conceivably some justification might be spelled out on a defense angle. I do not see exactly how it could be but it might be. I am not an authority on that farm problem.

Mr. JONES. But as a general proposition your organization is against all forms of subsidy?

Mr. TAYLOR. That is right. As a general proposition.

Mr. JONES. I notice the president of your organization is the president of a textile institution. Do you know whether or not the textile people and manufacturers in this country are asking for an increase on tariffs?

Mr. TAYLOR. My understanding is that they are, sir.

Mr. JONES. Do you consider that any form of subsidy or Government interference?

Mr. TAYLOR. Not when it is protecting the American producer against Japanese labor that is paid 15 cents an hour, whereas our labor gets $1.30. In fact, I cannot conceive of any tariff high enough to compensate for that differential in labor costs.

Mr. JONES. You say you differentiate between tariffs and subsidies?

Mr. TAYLOR. Yes, sir; I do.

Mr. JONES. Then you would raise the tariff and say that is not a subsidy because you are using an arm of the Government to see that we do not have competition with the importation of foreign goods and, therefore, it is another instance in which the Federal Government should extend itself for the protection which you say is necessary for the textile industry. Is that right?

Mr. TAYLOR. We say that tariffs—I will put it this way—that free trade is possible only where you have among the free trading countries approximately or roughly the same price and wage structure and living standards. Where you have to try to have free trade as between the textile manufacturers of this country and those of Japan, you are being totally unrealistic because they can outsell you.

Mr. JONES. The things you have just described have been outstanding since you have been doing business with Japan. Now it is difficult for me to understand your position and your thinking on subsidies because when we apply it to the tariff area you feel that there should be a protective tariff for the manufacturers even though it would mean that the agricultural producers in the South of cotton and textile raw materials would lose all of their market for the sale of over 25 percent of the cotton that is raised in the South.

Mr. TAYLOR. We are in favor of tariffs only to the extent that they are necessary to equalize these unequal factors and place our people on a parity in the competitive game with other people.

Mr. JONES. In other words, you just want a little raise and not a big one?

Mr. TAYLOR. I do not know. In the case of Japan, as I say, I do not think it could be done by any tariff that is attainable. I think you are going to have to impose quotas because the difference between 13 cents and $1.30 is, after all, rather significant.

Another example of what we regard as unwarranted Government intervention, and which has a direct bearing on the textile thing, is the action of the Federal Government in establishing in the first place, and then raising 2 or 3 times, the minimum wage.

Mr. JONES. Is the American Association of Railroads a member of the Southern States Industrial Council?

Mr. TAYLOR. No, sir.

Mr. JONES. Are there any of the railroads that are members of your organization?

Mr. TAYLOR. There are. Yes, sir.

Mr. JONES. What railroads are they?

Mr. TAYLOR. I could not tell you the names of them, sir. I would say the majority of the railroads in the South are members of the council.

Mr. JONES. Would you be good enough to supply for the record at some subsequent date the names of the railroads that are members?

Mr. TAYLOR. I would be glad to.

Mr. JONES. In that connection, are any utility companies members of your organization?

Mr. TAYLOR. Again, I am certain that there are, but I do not know which ones.

Mr. JONES. Would you be good enough to supply us for the record at some subsequent date the utility companies who are members of your organization?

Are there any other questions?

Mrs. GRIFFITHS. I would like to ask a question.

Did you say that you approved a subsidy to the airlines on the basis of defense? Would you say that the industrial council approved a subsidy to the airlines on the basis of defense?

Mr. TAYLOR. No. I said that such a subsidy might be justifiable from a defense angle.

Mrs. GRIFFITHS. Why did you say it would be?

Mr. TAYLOR. I said it might be and I didn't say it was.

Mrs. GRIFFITHS. Why would you think it would be?

Mr. TAYLOR. I can see where possibly—I am not saying it is, but I can see that possibly the United States Government might have the right to subsidize the airlines by way of causing them to expand and have a big backlog of facilities in case of trouble.

Mrs. GRIFFITHS. Of course, that would be a transportation facility available in case of war?

Mr. TAYLOR. Yes.

Mrs. GRIFFITHS. Do you not think that the shipping lines and canals are a transportation facility in case of war?

Mr. TAYLOR. I suppose some of them are; and wherever a reasonable user charge would interfere with the national defense, to that extent we would not favor it.

Mrs. GRIFFITHS. I believe that the shipping lines could produce a better case for their defense effort and their transportation effort in times of national emergency than even the airlines.

Mr. TAYLOR. Possibly so; yes.

Mrs. GRIFFITHS. And under such circumstances then no shipping line would have to pay a transportation charge.

Mr. TAYLOR. Well, you are getting a little bit beyond me there because I think that the merchant marine and the aviation companies and the uranium-mining companies and people like that, are people who are very closely connected with the national defense.

Mrs. GRIFFITHS. The commercial airlines are no more connected with the national defense than shipping.

Mr. TAYLOR. They would be after war was declared.

Mrs. GRIFFITHS. No more than shipping.

Mr. TAYLOR. No more than shipping, but they would be after the war was declared.

Mrs. GRIFFITHS. The shipping companies would be too.

Mr. TAYLOR. Yes; they would be too.

Mr. REUSS. Mr. Taylor, I was interested in your discussion of Federal flood control and navigation work as being socialism. May I ask for your definition of socialism?

Mr. TAYLOR. I think you misunderstood me, sir.

Mr. REUSS. I thought you described the TVA as pure socialism.

Mr. TAYLOR. I said it was the purest example of socialism that we know of in this country.

Mr. REUSS. Woud you define what you mean by socialism?

Mr. TAYLOR. We regard the navigation and flood-control aspects of TVA as perhaps socialistic, but permissibly socialistic like the post office is and the public schools, and so on. But the power, as it has been administered by the TVA, and the building of these steam plants, which was never dreamed of at the time when the original TVA Act was passed, is what we think of as socialistic.

Mr. REUSS. Perhaps you can help me to get your thought on where permissible socialism ends and not permissible socialism begins. How would you draw the line?

Mr. TAYLOR. A rough line might be drawn where you have competition with private industry. Admittedly that would be a rough line, but private industry is not able and it is not interested, for obvious reasons, in building flood-control projects. It has not got the money. That is a job that only governments—Federal, State, or local—are capable of doing.

On the other hand, in the case of the Tennessee Valley Authority and its steam plants, it is competing directly with privately financed and owned power facilities, and for that reason we think it is a socialistic thing.

Mr. REUSS. I was interested in your reference to the post office as falling on the permissible side of socialism. Actually before governments began to carry the mails there were private operators.

Mr. TAYLOR. That is right.

Mr. REUSS. And some of them were very efficient in carrying the mails. Are you sure you want to include the post office on the permissible side? I want to get your analysis.

Mr. TAYLOR. I think as a realistic proposition, yes, because we have got that system. There is no serious movement to do away with it. But you are bound to admit it is socialistic.

Mr. REUSS. Then your line between permissible socialism and non-permissible socialism is if you have it, it is permissible?

Mr. TAYLOR. I would put the post office in a special category as far as I am concerned, sir. As you say, we had it practically since the beginning of the country and I do not know anybody who is going to do anything about it.

Mr. REUSS. Actually I think a good many decades of our national history elapsed before the Federal Government entered that field.

Mr. TAYLOR. We have had it for the past 150 years. I will put it this way, that the post office, while a socialistic enterprise, has more or less gained the acceptance of long being established, and the fact that while it does of course compete with private enterprise, apparently it is just one of those situations that nobody can do anything about.

Mr. REUSS. I have just returned from several days of hearings in the Florence-Sheffield-Tuscumbia complex down around Muscle Shoals where we heard witnesses from all walks of life—bankers, industrialists, and farming people. They all seem to accept the Tennessee Valley Authority down in that region, at least, as something that was established. I wondered if applying your economic analysis to that situation if you would not be willing to include TVA in the category of permissible socialism?

Mr. TAYLOR. No, we would not.

Mr. REUSS. Why is that?

Mr. TAYLOR. Well, TVA is a comparatively new thing. When was it started? 1935?

Mr. REUSS. About 20 years ago, roughly.

Mr. TAYLOR. It is a comparatively new thing. It was started on a theory totally different from what has worked out in practice, namely, that it was primarily a flood control and navigation project. Steam plants were undreamed of at that time. As I say, it does compete directly with privately owned utilities.

Mr. REUSS. Thank you.

Now, turning to one other point you made on the question of subsidies, you are aware, of course, of the large program, the rather large program of tax amortization certificates which have been granted industry by our United States Treasury and the Internal Revenue Department?

Mr. TAYLOR. Yes, sir.

Mr. REUSS. In the last 5 or 6 years?

Mr. TAYLOR. Yes, sir.

Mr. REUSS. Ranging over a whole variety of industrial commodities and utilities, basic materials, machinery, et cetera. Are you, in the Southern States Industrial Council, in favor of or opposed to the tax amortization program?

Mr. TAYLOR. Well, we assume that the Government has found that they need these plants for the national defense and that they are willing to subsidize them to that extent. We, therefore, do not question that.

Mr. JONES. Let me ask you a question at that point.

Then what you say is you are for private subsidies and not for public subsidies. Is that it?

Mr. TAYLOR. Well, these plant amortizations you have talked about are public subsidies, are they not?

Mr. JONES. Yes.

Mr. TAYLOR. They come out of the Public Treasury.

Mr. JONES. Yes, but the immediate beneficiaries are private concerns which pay dividends on the profits enjoyed by the corporation which receives them.

Mr. TAYLOR. On that, Mr. Chairman, we just go back to our original and main proposition here, which is in the broadest sense that the Government should not compete with its own taxpaying citizens.

Mr. REUSS. Now, further on this question of subsidies, as you know a considerable amount in dollar value of tax amortization certificates have been granted.

Mr. TAYLOR. That is right.

Mr. REUSS. I might say very properly to private utility companies situated in all parts of the country. You have no objection to that, I trust.

Mr. TAYLOR. I assume that the Government's yardstick for doing that is that the expansion which is thereby brought about will broaden and strengthen the national defense, and they can afford to pay that price.

Mr. REUSS. It is a fact, is it not, that a considerable portion of the electric power output of the Tennessee Valley Authority system is dedicated to the national defense?

Mr. TAYLOR. That is right.

Mr. REUSS. The figure has been given in these hearings that the percentage of TVA output which goes to the Federal Government's installations themselves, leaving aside private defense industry, is in the order of 60 percent of that total. You have no reason to challenge that figure, do you?

Mr. TAYLOR. You mean the electricity that goes to the Atomic Energy Commission?

Mr. REUSS. Yes.

Mr. TAYLOR. I do not know the figures but I have no reason to question that.

Mr. REUSS. But your feeling is that it is perfectly proper for the Federal Government to assist a private utility whose power is used for the national defense but improper for it to assist the Tennessee Valley Authority to accomplish the same thing?

Mr. TAYLOR. That is right. That is correct.

Mr. REUSS. What is the feeling of you and your organization in regard to the subsidies presently given to newspapers and magazines by the Post Office Department, due to rates less than the actual cost of handling newspapers and magazines?

Mr. TAYLOR. The organization has not taken a position on that, Mr. Congressman. My own feeling is that that is one of the most vicious of all subsidies, because it is tampering with the well springs of public opinion.

Mr. REUSS. But you do not think that the subsidy granted to industry and utilities through rapid tax amortization is vicious?

Mr. TAYLOR. No, sir, not if it is for national defense.

Mrs. GRIFFITHS. I would like to ask you a question. At some point you suggested that you thought flood control would be permissive because private industry was not interested in that sort of thing. There seems to be a dispute on Hells Canyon. There is a group of people in that area who would be consuming the power who would like a high-level dam, and the private industry would like to put in, I understand, three low-level dams. They are not even going to compete with the Government. They simply will not consider building a high-level dam, if I understand the facts correctly. Would you consider, then, that since the Federal Government has no real competitor at the high level, that it should be permitted to build the dam?

Mr. TAYLOR. No, I would not.

Mrs. GRIFFITHS. Why not?

Mr. TAYLOR. As long as you have private enterprise ready and willing to do the job and put up the money and save the expense to the Federal Government, the Federal Government should not enter into it.

Mrs. GRIFFITHS. But they are not comparable. The dams are not comparable.

Mr. TAYLOR. My understanding is a little bit different from that, namely, that the three low dams would serve all of the essential purposes of the one high one.

Mrs. GRIFFITHS. I believe the testimony we have is not to that effect. But you feel that under any circumstances, even if it served fewer people, we should have three low-level dams in place of the high one?

Mr. TAYLOR. I feel that the considerations where you have private enterprise which is willing to do a job as against the public doing it through taxes are such that I would tend to give the benefit of the doubt to the private enterprise.

Mrs. GRIFFITHS. No matter how inadequately they want to do the job?

Mr. TAYLOR. You say no matter how inadequately. There is a difference of opinion as to whether these three low-level dams would not do the same job as the one high one.

Mrs. GRIFFITHS. Thank you.

Mr. JONES. Mr. Lipscomb.

Mr. LIPSCOMB. No questions.

Mr. JONES. Thank you very much, Mr. Taylor. We are glad to have you with us today.

Our next witness will be Mr. John P. Cole, representing the Association of Southeastern Railroads. Is that correct?

STATEMENT OF JOHN P. COLE, STATISTICIAN, ASSOCIATION OF SOUTHEASTERN RAILROADS; ACCOMPANIED BY ROBERT L. CORNELIUS

Mr. COLE. Mr. Chairman, my name is John P. Cole, statistician of the Association of Southeastern Railroads, Washington, D. C.

Mr. JONES. Would you have a seat, Mr. Cole?

Mr. COLE. I would like to introduce my assistant, Mr. Robert L. Cornelius, who prepared the underlying study which forms a basis for our presentation.

Mr. JONES. Fine. You may proceed.

Mr. COLE. The purpose of my statement is to bring to the attention of your committee the enormous annual cost of Federal aid to navigation on certain inland waterways, as recently computed by our office. At the outset, I think it is appropriate to quote from the progress report of the Domestic Land and Water Transportation Subcommittee, pursuant to Senate Resolution 50, 81st Congress:

> The Federal Government has spent vast sums of money on the improvement and maintenance of inland rivers and harbors. The users of these Government-provided transportation facilities pay no toll or other charge. The entire cost is paid by the general taxpayer. The fact that transportation on inland rivers and harbors is subsidized has been recognized in so many studies that no extensive citation of authority for this fact is required (p. 30).

The particular inland waterways which will be covered in this statement are the Missouri, Tennessee, Mississippi, Illinois, and Ohio Rivers. The detailed cost calculations for each of these streams are incorporated in a separate exhibit.

I would like to have that inserted in the record.

Mr. JONES. That is the computation of annual cost of Federal aid to navigation on selected inland waterways?

Mr. COLE. Yes, sir.

Mr. JONES. Without objection, the table will be included immediately following your statement, and also the testimony given by you and Mr. Cornelius.

Let me say this, to interrupt you. The Chair ruled on yesterday, and will rule again today, that since this is a document of some length, the committee will have the opportunity of recalling the witness in the event there is some question which arises at a later date as to certain portions of the charts and tables in the exhibits offered in the testimony. The reason why I do that, I say to the members of the committee and the witness, is to analyze and digest the statements of this length, with all of the charts, and study them and know their contents, would take considerable time of the committee. We would have to vacate our proceedings until such time as we had an opportunity to review and scrutinize these documents. Therefore, when the Chair receives a document of this size it must be with the understanding that the witness will be subject to recall for examinaion or any questions on the statement and report.

Mr. COLE. Yes, sir; I understand that, and Mr. Cornelius and I will be available.

Mr. JONES. Thank you very much.

Mr. COLE. The costs which have been determined for each of the selected waterways do not represent the full cost of Federal aid attributable to navigation, but rather, only that portion of Federal expenditures for waterway improvement which can be readily ascertained and reasonably assigned to navigation. Limitations of available data preclude a more accurate ascertainment of such costs. The cost of such aids to waterway navigation as may come from the Coast Guard or Weather Bureau are not included in the calculations.

Among the Federal agencies which publish expenditure records on an individual project basis, the Corps of Engineers of the United States Army is of primary importance, since most waterway improvements have been provided by them. The corps' records must necessarily be supplemented by those of the Tennessee Valley Authority in determining costs pertaining to the Tennessee River. In addition to

expenditures, the annual report of the Chief of Engineers includes complete statistics of traffic volume on all inland waterways, which permits determination of the average cost per ton and per ton-mile for Federal aid on each of the aforementioned rivers.

One of the most comprehensive studies ever made of Federal aid to navigation on domestic waterways is embodied in a report of the Board of Investigation and Research entitled, "Public Aids to Domestic Transportation." That report, hereinafter referred to as the BIR study, was published in September 1944, as House Document No. 159, 79th Congress, 1st session. As far as was practicable, the methods used and figures shown in that report were incorporated into our calculations.

The method prescribed in the BIR study consisted of the following basic steps:

1. Computation of the total capital cost of improvements useful to navigation in the year under study.

2. Amortization of such cost over a 50-year period allowing for interest of 3.5 percent, and using a sinking-fund method to determine annual charges.

3. Computation of a 5-year average cost of maintenance predicated on the assumption that any 1 year's maintenance would be of benefit to navigation fo ran average of 5 subsequent years.

4. Evaluation of annual capital and maintenance costs in terms of traffic volume.

The BIR study reflects the cumulative cost of facilities useful to navigation in 1939, and the average annual maintenance costs for the years 1935 through 1939. Our study, in substance, brings the BIR study up to date. It reflects the cumulative cost of facilities useful to navigation in 1954, and average annual maintenance costs for the years 1950 through 1954. In computing annual costs, we have used a 65-year amortization period, in lieu of the 50-year period used in the BIR study.

My exhibit shows cumulative capital expenditures of $970,550,995 on the several streams, as follows:

Missouri River:	
Kansas City to mouth of river	$95,904,732
Kansas City to Sioux City	114,209,461
Total	210,114,193
Tennessee River	163,441,768

Mr. JONES. Just 1 minute at that point. That figure of $163,441,768 for the Tennessee River—is that carrying the interest rate of 3½ percent?

Mr. COLE. No; that is the basic cost and the original cost of the capital expenditures on the river.

Mr. JONES. I see. All right.

Mr. COLE. To continue, the capital expenditures are as follows:

Mississippi River:	
From reservoirs at headwaters to mouth of Missouri River	$174,968,973
From mouth of Missouri River to mouth of Ohio River	76,968,247
From mouth of Ohio River to New Orleans, La	170,527,864
Total	422,465,084
Illinois River	49,706,869
Ohio River	124,823,081
Total, 5 rivers	970,550,995

Average annual maintenance costs during the 5 years, 1950 through 1954, were as follows:

Missouri River:	
Kansas City to mouth of river	$2,898,664
Kansas City to Sioux City	4,032,084
Total	6,930,748
Tennessee River	2,036,153
Mississippi River:	
From reservoirs at headwaters to mouth of Missouri River	3,868,677
From mouth of Missouri River to mouth of Ohio River	1,321,634
From mouth of Ohio River to New Orleans, La	5,407,407
Total	10,597,718
Illinois River	1,846,702
Ohio River	7,156,964
Total, 5 rivers	28,568,285

Total annual costs, including amortization of capital costs, amounted to $66,613,883 in 1954 for the 5 rivers combined.

Total costs per ton and per ton-mile in 1954 for each of the streams, or segments thereof, were as follows:

	Cost per—	
	Ton	Ton-mile
Missouri River:		
Kansas City to mouth of river	$5.347	$0.05739
Kansas City to Sioux City	5.751	.27179
Tennessee River	.990	.00681
Mississippi River:		
From reservoirs at headwaters to mouth of Missouri River	.658	.00364
From mouth of Missouri River to mouth of Ohio River	.246	.00163
From mouth of Ohio River to New Orleans, La		.00077
Total		.00127
Illinois River	.247	.00134
Ohio River	.219	.00104

The average cost per ton-mile in 1954 was 1.79 mills for the 5 rivers combined. My exhibit also shows costs per ton and per ton-mile on the various rivers, or segments thereof, based on the 1952 traffic level, which was considerably lower than the 1954 level. On basis of the 1952 traffic level, the cost per ton-mile of Federal aid to navigation in 1954 would have been 2.13 mills for the 5 rivers combined.

The method used in our computations of Federal aid to navigation are fully explained in the appendix to my exhibit.

Thank you, sir.

Mr. JONES. Do you have joint water-rail rates on all of the streams you mentioned in the report?

Mr. COLE. I believe the joint water-rail rate is confined to traffic passing through Memphis. I am not certain of that fact.

Mr. JONES. Do you know whether there is a case pending before the Interstate Commerce Commission now for application for joint water rail rates on the other rivers?

Mr. COLE. I testified in docket No. 30744, *American Barge Lines, et al*, v. *The Railroads*. I believe in that case the Barge Lines were seeking proportionate rates at ports other than Memphis. That case

has been decided by the Interstate Commerce Commission against the Barge Lines' position. However, it is my understanding that reconsideration has been asked.

I would like to add something. I believe you brought up this morning the question as to what the cost of maintenance and operation of these rivers would be in terms of cost per ton-mile, excluding amortization charges. I have made a calculation to that effect.

On the Missouri River from Kansas City to the mouth of the river the costs amounted to 2.5 cents per ton-mile. From Kansas City to Sioux City, where the traffic is very light, the cost is 12.81 cents per ton-mile.

On the Tennessee River the cost is 1.6 mills per ton-mile.

On the Mississippi River from the reservoirs at the headwaters to the mouth of the Missouri the cost is 1.3 mills per ton-mile.

On the Mississippi River from the mouth of the Missouri to the mouth of the Ohio the cost is five-tenths of a mill per ton-mile.

On the lower Mississippi from the mouth of the Ohio to New Orleans the cost is three-tenths of a mill.

On the Ohio River the cost is seven-tenths of a mill per ton mile.

Mr. JONES. How much?

Mr. COLE. On the Ohio River it is seven-tenths of a mill, and on the Illinois River the cost is six-tenths of a mill.

Mr. JONES. If recommendation No. 8 of the Hoover Commission were to be adopted and become a law how would you go about computing the toll rate? Would you do it by major streams, or how would you go about making that computation?

Mr. COLE. I would say where a sufficient time has elapsed since the stream became navigable and the calculations showed that any toll that came anywhere near meeting the cost of operations and maintenance would completely remove the traffic from the stream, such as the upper Missouri River where the cost is 12.81 cents per ton-mile, I would say that the showing there is——

Mr. JONES. It would have to be discontinued?

Mr. COLE. The showing is there is no longer any economic justification for the maintenance of the navigation on the Missouri River. In other cases where the cost is relatively low I would say as a starting point that the cost per ton-mile probably would not mean a major task to work out a toll per tow. In other words, so much per towing unit.

Mr. JONES. You would not lump together all the inland navigation projects and compute a universal rate; would you?

Mr. COLE. No, sir. I would think there is a wide variation between the cost of maintenance——

Mr. JONES. Take the Warrior system in Alabama, from Birmingham to Mobile. They have some old locks that were built in the early part of the century. They have rather high operating costs. Therefore, the maintenance and operation charge would be pretty high.

Mr. COLE. There I might say that my personal opinion varies from the conclusions reached in the Hoover Commission report in that I see no justification for charging only for maintenance and operation. Where you have a capital expenditure and the barges have the full use of the benefits from that capital expenditure, it seems to me that the charge for a fair return on the capital investment is just as well justified as the maintenance and operation costs.

Mr. JONES. You feel that in addition to what the Hoover Commission requested in item No. 8, that there should be an additional toll charge to pay for the capital investment in the project and the relationship which it might bear to the total cost of the project?

Mr. COLE. That is my personal opinion. Anyway, that would obviate the objection you raised with respect to the Warrior River.

Mr. JONES. I see.

Mr. COLE. In that the amortization charge would be less on these obsolete facilities.

Mr. JONES. Have you made any calculation on what they would cost in ton-miles on the inland waterway system? You have calculations here based on maintenance and operation.

Mr. COLE. The part of my statement read into the record is the first cost including amortization.

Mr. JONES. How much of the inland waterways, then, could be discontinued for navigation? Have you made any estimate as to the number of miles?

Mr. COLE. I would say certainly that of the rivers covered in my study, the Missouri River shows absolutely no justification.

Mr. JONES. You would eliminate that as a Federal responsibility to maintain it as a navigation work?

Mr. COLE. In my personal opinion, yes, sir.

Mr. JONES. What about the Warrior system? That is pretty high.

Mr. COLE. I have made no study of that.

Mr. JONES. What about the upper Ohio?

Mr. COLE. The figures we have for the Ohio River as a whole—and there is heavy traffic on the Ohio which reduces the unit cost to a very small figure—show it is less than 1 mill excluding amortization.

Mr. JONES. There are about 45 million tons moving over the Ohio River, are there not?

Mr. COLE. The figures we have for 1954 for the Ohio River are 11,556 million ton-miles. The figure we have for the Ohio River per ton-mile, based on the 1954 traffic, to cover amortization, maintenance and operation, amounts to only 1 mill per ton-mile.

Mr. JONES. There is no room in these figures to anticipate the future growth of navigation on the upper Missouri. Do you think that there is any prospect that the traffic index will be increased as time goes on?

Mr. COLE. No, sir, I do not. I think if the past is any criterion that considering the time that has been spent in attempts by the Federal Barge Lines, for instance, to create a profitable traffic on the Missouri River, that they have absolutely made a complete failure of it.

Mr. JONES. What other examples of failure would you suggest to the committee?

Mr. COLE. From my personal knowledge the Missouri River is the only one I can personally suggest.

Mr. JONES. So, all the rest of them you would maintain?

Mr. COLE. I would not say that I would maintain them. I would say they should be subject to careful scrutiny if it is determined to impose a user charge.

Mr. JONES. How many of these navigation projects do you think would be eliminated by the addition of toll rates based on maintenance and operation and amortization?

Mr. COLE. I would say in any doubtful case if the imposition of a user charge sufficient to cover maintenance and operation dried up the

traffic, then certainly that would be proof of an uneconomic expenditure.

Mr. JONES. And should bear no reflection to the total navigation possibilities of all the inland waterways?

Mr. COLE. In my personal opinion each project should be considered on its own merits.

Mr. JONES. Are there any questions?

Mrs. GRIFFITHS. Do you feel that it would dry up the traffic on many rivers?

Mr. COLE. I feel as far as the Missouri River is concerned that the imposition of even a half of a fair-user charge would dry up that traffic completely.

Mrs. GRIFFITHS. I want to tell you that I think this is a good compilation of the facts as you see them. It is well done.

Mr. COLE. Thank you.

Mr. LIPSCOMB. May I ask on page 5 of your statement what is the significance of that 2.13 mills? Where does that fit into it?

Mr. COLE. What I am trying to do there, sir, is to indicate the effect of changes in the level of traffic. In other words, the increased traffic in 1954 compared to 1952 has the effect of reducing the unit cost from 2.13 mills to a figure of 1.79 mills shown at the bottom of page 4. What I have in mind there is that if the traffic falls from the 1954 level back to the 1952 level, that then the unit cost will go up again.

Mr. LIPSCOMB. As I understood your testimony you said that you would theoretically assess the toll for each individual river instead of lumping them all together. Is that right?

Mr. COLE. Except in the final conclusion. We simply averaged out all five of them. The statement itself has the figures there for each individual river and each segment thereof.

Mr. LIPSCOMB. Have you ascertained in your written statement, in your schedules, what the toll would be on your system, for instance, on the Mississippi River, for the use of the Mississippi River? What would be the amount of tolls collected in a year under your theory?

Mr. COLE. The Mississippi River records are kept in three segments. Are you speaking of maintenance and operation only?

Mr. LIPSCOMB. Yes, sir.

Mr. COLE. My figures show on sheet 3 of my prepared statement, or sheet 4, that the average cost of maintenance and operation on the Mississippi River is $10,597,000. That is the average cost of maintenance and operation for a year for the entire river.

Mr. LIPSCOMB. So that there would have to be tolls collected to cover that amount of money on the Mississippi River?

Mr. COLE. That is correct, sir.

Mr. LIPSCOMB. And that is true with regard to all the other figures you have here on the Illinois and the Ohio?

Mr. COLE. I did not intend those as any estimate on the toll that would have to be collected but merely to present a picture of the Federal aid involved per traffic unit.

Mr. LIPSCOMB. If tolls were collected to cover operation and maintenance on this total of five rivers it would have to amount to about $28,500,000?

Mr. COLE. That is correct.

Mr. LIPSCOMB. Did you make any attempt to divide the tonnage that is going on these five rivers in order to get the cost per ton-mile per river?

Mr. COLE. That comes up on page 4. The Tennessee River is shown there as 6.8 mills. That covers not only maintenance and operation but also amortization of capital.

Mr. JONES. I thought you just gave us the figure of 1.6 mills a moment ago.

Mr. COLE. That was for maintenance and operation only. No, I beg your pardon. The Tennessee River total, including amortization, is 6.8 mills.

Mr. LIPSCOMB. Including amortization?

Mr. COLE. That is including amortization. I gave you the figure excluding amortization. The figure excluding amortization is only 1.6 mills. In other words, the major part of the annual cost on the Tennessee River is amortization.

Mr. LIPSCOMB. Thank you.

Mr. JONES. On the lower Mississippi from New Oreans to the gulf, as I recall it, that is about 100 miles. That, too, has to be maintained and operated through bar removal and snagging, and such things as that, by the Corps of Engineers. Is that in your calculation on the river?

Mr. COLE. I believe it is included in the calculations.

Mr. JONES. You would advocate tolls to be placed on all inland waterways, that is, coastal inland waterways and on the eastern seaboard waterways system? That would also bear tolls, would it not?

Mr. COLE. I would like to see it, personally, yes, sir.

Mr. JONES. And harbor projects in which the Federal Government participates, such as deepening the harbor channel to 40 feet where existing harbors are already in operation, would also take a toll, and everything would have a toll charge on it where the Federal Government has invested in it?

Mr. COLE. Actually, sir, I have no connection with the policy-making of the Southeastern Railroads Association.

Mr. JONES. I understand that. But if you are to place a toll on the inland waterway it would be just as compelling to put tolls on harbor projects, would it not?

Mr. COLE. I think there would be the problem there of not only domestic commerce but international commerce, and I do not believe that domestic commerce should be charged for any more than its fair proportion of the total.

Mr. JONES. The steamship company is being the beneficiary of Federal investments in harbor improvements paid for by the Federal Government. Why would you think of excluding them? If these international carriers come in and out and use them, then the tolls would apply to them as well as it would apply to domestic ships or ships under the American flag.

Mr. COLE. I believe it to be a fact that the amount of traffic passing through our major ports in relation to the annual expenditures for maintaining those ports is so great that whatever charge might be levied would be very infinitesimal. In other words, it would be necessary only to levy a——

Mr. JONES. But they represent pretty heavy investments by the Federal Government.

Mr. COLE. I know, but New York City, or Philadelphia, or any of those ports, have a tremendous amount of traffic, or New Orleans, that passes through.

Mr. JONES. Yes.

Mr. COLE. Personally I believe that any charge levied on any major port would be extremely small and would still cover the costs.

Mr. JONES. Whatever the charge is, whether it is high or low, you think it would only be fair to impose a toll on the harbor facilities provided by the Federal Government?

Mr. COLE. That would be my personal reaction. Yes, sir.

Mr. JONES. In other words, the same toll rate, based upon the total investment in most of the ports which are maintained and operated by either a port authority, or a State? For example, in my State the capital improvements are made by the Federal Government. Then the State authority maintains those improvements. As you say, they would be lower in cost but they would have to reflect some return for the Federal investment, because if you did not then those shippers would be the beneficiaries of it, which is what is sought to be corrected by Recommendation No. 8 of the Hoover Commission report.

Mr. COLE. My personal opinion is that whatever money the Government spends to assist commercial navigation in any way, whether it is a port or an inland waterway, should come back to the Government in the form of some kind of user charge.

Mr. JONES. A revenue-producing operation?

Mr. COLE. You may say a nonprofit organization.

Mr. JONES. To produce such revenues——

Mr. COLE. As would be necessary to reimburse the Government for its costs.

Mr. JONES. Yes, sir.

I have one question I would like to ask you, Mr. Cole. There is pending at the present time in the House of Representatives—and the bill has already been passed in the Senate and there is general agreement in the House that it is going to be necessary to construct interstate systems of roads which cost approximately $24 billion. Of that $24 billion 90 cents out of every dollar of that $24 billion to construct those 40,000 miles of roads will be borne by the Federal Government.

Following the same reasoning, do you not think it is only right and proper that those roads be toll roads in order to produce sufficient revenue to reimburse the Federal Government for that investment?

Mr. COLE. Not necessarily through tolls. Through appropriate excise taxes on tires, for example and through ton-miles taxes possibly. But I think whatever the Federal Government spends on highways, if it is $24 billion, or whatever it is, should come back to the Federal Government from the users of that highway and in proportion to the use made of that highway.

Mr. JONES. Suppose a fellow like Henry here lives off the road about 60 miles from any interstate system and he does not get on that highway system or the interstate system but only used the primary, the secondary and the urban streets. He is not going to find any satisfaction in paying a fee without ever getting on that road. What are we going to do about that kind of fellow?

Mr. COLE. I am not really qualified to answer a complicated question of that kind. I think it is highly complicated and any kind of tax law is bound to do injustice to some people. In other words, there

is no mathematical way of figuring out a method of collecting tax money or user money that will be exactly fair for everybody.

Mr. JONES. That is all. Thank you very much, Mr. Cole.

Mr. COLE. Thank you for letting me speak.

Mr. JONES. Yes, sir. We are glad to have you and Mr. Cornelius.

Without objection at this point the document submitted by Mr. Cole will be made a part of the record.

(The document entitled "Computation of Annual Cost of Federal Aid to Navigation on Selected Inland Waterways, Year 1954," prepared by the Association of Southeastern Railroads, Washington, D. C., November 1955 is as follows:)

COMPUTATION OF ANNUAL COST OF FEDERAL AID TO NAVIGATION ON SELECTED INLAND WATERWAYS, YEAR 1954

Association of Southeastern Railroads, Washington, D. C., November 1955

SCHEDULE I

Summary of computed annual costs per traffic unit of Federal aid to navigation on selected inland waterways, years 1952 and 1954

	Annual costs in terms of—			
	1952 traffic		1954 traffic	
	Per ton	Per ton-mile	Per ton	Per ton-mile
Missouri River (schedule II):				
Kansas City to mouth of river	$5.555	$0.26417	$5.347	$0.05739
Kansas City to Sioux City	5.167	0.53342	5.751	0.27179
Tennessee River (schedule III)	1.446	0.01059	0.990	0.00681
Mississippi River (schedules IV, V and VI):				
Reservoirs at headwaters to mouth of Missouri	0.834	0.00522	0.658	0.00364
Mouth of Missouri to mouth of Ohio	0.327	0.00223	0.246	0.00163
Mouth of Ohio to New Orleans		0.00089		0.00077
Illinois River (schedule VII)	0.270	0.00150	0.247	0.00134
Ohio River (schedule VIII)	0.215	0.00116	0.219	0.00104

NOTE.—1. Total annual costs used to compute the above unit costs for both years are for the year 1954 as developed for each waterway in the following scehdules.

2. For description of the method of computation see appendix A, hereto.

SCHEDULE II

Computed annual cost of Federal aid to navigation on the Missouri River, year 1954

A. KANSAS CITY TO MOUTH OF RIVER

1.	Capital costs:	
2.	Federal cost of new work to June 30, 1954[1]	$95,904,732
3.	Annual capital cost at 3.92 percent	3,759,465
4.	Maintenance, 5-year average	2,898,664
5.	Total annual costs (line 3 plus line 4)	6,658,129
6.	Traffic units:	
7.	Freight tons	1,245,135
8.	Freight ton-miles	116,013,950
9.	Federal aid:	
10.	Per ton (line 5, line 7)	$5.347
11.	Per ton-mile (line 5, line 8)	.05739

[1] All facilities are less than 65 years old.

Computed annual cost of Federal aid to navigation on the Missouri River, year 1954—Continued

B. KANSAS CITY TO SIOUX CITY

12.	Capital costs:	
13.	Federal cost of the new work to June 30, 1954 [1]	$114,209,461
14.	Annual capital cost at 3.92 percent	4,477,011
15.	Maintenance, 5-year average	4,032,084
16.	Total annual costs (line 14 plus line 15)	8,509,095
17.	Traffic units:	
18.	Freight tons	1,479,499
19.	Freight ton-miles	31,308,047
20.	Federal aid:	
21.	Per ton (line 16 divided by line 18)	$5.751
22.	Per ton-mile (line 16 divided by line 19)	.27179

[1] All facilities are less than 65 years old.

Source: Annual Reports of the Chief of Engineers, U. S. Army; Waterborne Commerce of the United States, Calendar Year 1954, Department of the Army, Corps of Engineers.

SCHEDULE III

Computed annual cost of Federal aid to navigation on the Tennessee River, year 1954

1.	Capital costs:		
2.	By Tennessee Valley Authority:		
3.	Cost of navigational facilities including allocation of multiple-use facilities		$157,985,788
4.	By Army engineers:		
5.	Dam No. 1, cost of lock and dam		989,215
6.	Wilson Dam:		
7.	Historical cost	$46,973,540	
8.	Less cost adopted by TVA	36,329,049	
9.	Revaluation writeoff	10,644,491	
10.	Allocation to navigation (line 9×27 percent)		[1] 2,874,013
11.	Allocation from dam No. 52, Ohio River		[2] 1,144,811
12.	Historical cost of new work on existing project:		
13.	Total as of June 30, 1954	$2,244,236	
14.	Less costs included above (Wheeler lock)	1,796,295	
			447,941
15.	Total capital outlay		163,441,768
16.	Annual capital cost at 3.92 percent		6,406,017
17.	Maintenance, operation, and care, 5-year average:		
18.	By Tennessee Valley Authority:		
19.	Study and development of river transportation	$236,754	
20.	Net expense of public-use river terminal operations	13,448	
21.	Other operation	949,809	
22.	Other maintenance	48,572	
23.	Administrative and general expense	86,724	
			1,335,307

[1] Represents the percentage adopted by the TVA with approval of the President of the United States, for allocation of multiple-use facilities to navigation.

[2] See schedule VIII, allocation of capital cost of selected dams on the Ohio River to tributaries, year 1954.

Computed annual cost of Federal aid to navigation on the Missouri River, year 1954—Continued

24.	By Army engineers:		
25.	Maintenance, operation, and care	$664,850	
26.	Allocation from dam No. 52, Ohio River	[2] 35,996	
			$700,846
27.	Total maintenance, operation, and care		2,036,153
28.	Total annual costs (line 16 plus line 27)		8,443,070
29.	Traffic units:		
30.	Freight tons		8,532,238
31.	Freight ton-miles		1,239,028,696
32.	Federal aid:		
33.	Per ton (line 28÷line 30)		$0.990
34.	Per ton-mile (line 28÷line 31)		$0.00081

[2] See schedule VIII, derivation of cost of operation and care of Gallipolis lock and dam, Kanawha River project, year 1954.

Source: Annual Reports of TVA, Annual Reports of Chief of Engineers, U. S. Army; Waterborne Commerce of the United States, Calendar Year 1954, Department of the Army, Corps of Engineers, and H. Doc. No. 159, 79th Cong., 1st sess., year 1944.

SCHEDULE IV

Computed annual cost of Federal aid to navigation on the Mississippi River from reservoirs at headwaters to mouth of the Missouri River, year 1954

1.	Capital costs:		
2.	Adjusted cost of new work 1890 to 1939, before allocation to tributaries: [1]		
3.	Minneapolis to mouth of Missouri		$152,689,658
4.	Reservoirs at headwaters		1,186,447
5.	Add cost of new work 1940–54, inclusive:		
6.	Minneapolis to mouth of Missouri:		
7.	Cost of existing project to June 30, 1954	$166,407,005	
8.	Less cost to June 30, 1939	134,989,657	
			31,417,348
9.	Reservoirs at headwaters:		
10.	Cost of existing project to June 30, 1954	1,563,790	
11.	Less cost to June 30, 1939	1,563,790	
12.	Total cost of new work, years 1890 to 1954, inclusive		185,293,453
13.	Less cost assigned to Illinois River (reported cost of dam No. 26 $15,272,900 x 67.6 percent) [3]		10,324,480
14.	Total capital outlay, years 1890 to 1954, inclusive		174,968,973
15.	Annual capital cost at 5.92 percent		6,858,784
16.	Maintenance, operation, and care, 5-year average:		
17.	Reservoirs at headwaters	$86,002	
18.	Minneapolis to mouth of Missouri	3,916,133	
19.	Less cost assigned to Illinois River [3]	133,458	
20.	Total maintenance, operation, and care		3,868,677
21.	Total annual costs (line 15 plus line 20)		10,727,461
22.	Traffic units:		
23.	Freight tons		16,295,544
24.	Freight ton-miles		2,946,985,788
25.	Federal aid:		
26.	Per ton (line 21 divided by line 23)		$0.658
27.	Per ton-mile (line 21 divided by line 24)		$0.00364

[1] H. Doc. No. 159, 79th Cong., 1st sess., year 1944, p. 649.
[3] Same, p. 648.
[4] See table below (67.6 percent times $197,423).

Source: Annual Reports of the Chief of Engineers, U. S. Army; Waterborne Commerce of the United States, Calendar Year 1954, Department of the Army, Corps of Engineers, and H. Doc. No. 159, 79th Cong., 1st sess., year 1944.

Derivation of cost of operation and care of dam No. 26 on the Mississippi River between reservoirs at headwater and the mouth of the Missouri River, year 1954

Dams in St. Louis district	Cubic foot capacity of locks	5-year average cost of operation and care	Cost per cubic foot	Cost assigned to dam 26
			Cents	
No. 24	990,000			
No. 25	990,000			
No. 26 (Henry T. Rainey)	2,977,720			$197,423
Total	4,957,720	$328,537	6.63	

NOTE.—Capacity equals length times width times lift.

Source: Annual report of the Chief of Engineers, U. S. Army.

SCHEDULE V

Computed annual cost of Federal aid to navigation on the Mississippi River from mouth of Missouri River to mouth of the Ohio River, year 1954

1.	Capital costs:		
2.	Adjusted cost of new work, 1890 to 1939, inclusive [1]		$28,880,666
3.	Plus cost of new work, 1940 to 1954, inclusive:		
4.	Cost of existing project to June 30, 1954	$81,033,639	
5.	Less cost to June 30, 1939	32,946,058	
			48,087,581
6.	Total adjusted cost of new work, 1890 to 1954, inclusive		76,968,247
7.	Annual capital cost at 3.92 percent		3,017,155
8.	Maintenance, operation, and care, 5-year average		1,321,634
9.	Total annual costs (line 7 plus line 8)		4,338,789
10.	Traffic units: [2]		
11.	Freight tons		17,663,048
12.	Freight ton-miles		2,657,751,304
13.	Federal aid:		
14.	Per ton (line 9 divided by line 11)		$0.246
15.	Per ton-miles (line 9 divided by line 12)		$0.00163

[1] H. Doc. No. 159, 79th Cong., 1st sess., year 1944, p. 651.
[2] Passenger traffic excluded.

Source: Annual Reports of the Chief of Engineers, U. S. Army; Waterborne Commerce of the United States, Calendar Year 1954, Department of the Army, Corps of Engineers.

SCHEDULE VI

Computed annual cost of Federal aid to navigation on the Mississippi River from mouth of Ohio River to New Orleans, La., year 1954

1.	Capital costs:		
2.	Adjusted cost of new work 1890 to 1954, inclusive:		
3.	By Mississippi River Commission:		
4.	Years 1890 to 1939, inclusive [1]	$87,238,802	
5.	Years 1940 to 1954, inclusive	82,967,298	
			$170,206,100
6.	By New Orleans district Army engineers:		
7.	Years 1890 to 1954, inclusive		321,764
8.	Total adjusted cost of new work		170,527,864

[1] H. Doc. No. 159, 79th Cong., 1st sess., year 1944, p. 654.

Computed annual cost of Federal aid to navigation on the Mississippi River from mouth of Ohio River to New Orleans, La., year 1954—Continued

9.	Annual capital cost at 3.92 percent		$6,584,692
10.	Maintenance, operation, and care, 5-year average:		
11.	Mississippi River Commission	$5,002,575	
12.	New Orleans district Army engineers	404,832	
13.	Total maintenance, operation and care		5,407,407
14.	Total annual costs (line 9 plus line 13)		12,092,099
15.	Traffic units: [2]		
16.	Freight ton-miles		15,759,299,930
17.	Federal aid:		
18.	Per ton-mile (line 14 divided by line 16)		$0.00077

[2] Tonnage on this section of the river is reported separately by 2 districts and contains inseparable duplications, therefore is not included herein.

Source: Annual reports of the Chief of Engineers, U. S. Army.

SCHEDULE VII

Computed annual cost of Federal aid to navigation on the Illinois River,[1] year 1954

1.	Capital costs:		
2.	Adjusted Federal cost of new work to June 30, 1939 [2]		$34,225,017
3.	Add cost of new work to June 30, 1954	$31,600,234	
4.	Less cost to June 30, 1939	26,442,862	
5.	Cost of new work 1940–54, inclusive		5,157,372
6.	Allocation from dam No. 26, Mississippi River [3]		10,324,480
7.	Adjusted Federal cost of new work to June 30, 1954		49,706,869
8.	Annual capital cost at 3.92 percent		1,948,509
9.	Maintenance, operation, and care, 5-year average:		
10.	Illinois River	$1,713,244	
11.	Allotment from dam No. 26, Mississippi River [4]	133,458	
12.	Total maintenance, operation and care		1,846,702
13.	Total annual costs (line 8 plus line 12)		3,795,211
14.	Traffic units:		
15.	Freight tons		15,354,052
16.	Freight ton-miles		2,838,258,168
17.	Federal aid:		
18.	Per ton (line 13 divided by line 15)		$0.247
19.	Per ton-mile (line 13 divided by line 16)		0.00134

[1] Includes only Federal expenditures on Illinois River from Grafton to Lockport.
[2] H. Doc. No. 159, 79th Cong., 1st sess., year 1944, p. 668.
[3] See schedule IV, computed annual cost of Federal aid to navigation on the Mississippi River from reservoirs at headwaters to mouth of the Missouri River, year 1954.
[4] See schedule IV, duration of cost of operation and care of dam No. 26 on the Mississippi River between reservoirs at headwater and the mouth of the Missouri River, year 1954.

Source: Annual reports of the Chief of Engineers, U. S. Army, H. Doc. No. 159, 79th Cong., 1st sess., year 1944; Waterborne Commerce of the United States, Calendar Year 1954, Department of the Army, Corps of Engineers.

SCHEDULE VIII

Computed annual cost of Federal aid to navigation on the Ohio River, year 1954

1.	Capital costs:		
2.	Reported total cost of locks and dams		$122,356,523
3.	Additions:		
4.	Examinations, surveys, etc		966,232
5.	Gallipolis Dam (Kanawha River project)		9,696,919
6.	Subtotal		133,019,674

Computed annual cost of Federal aid to navigation on the Ohio River, year 1954—Continued

7.	Deductions:		
8.	Dams No. 1 to 6, inclusive	$6,266,435	
9.	Replaced dam No. 41	312,894	
10.	Dams No. 24, 25, and 26	4,419,988	
11.	Allocations to tributaries (sheet 2 of 5)	11,909,053	
12.	Total deductions		$22,908,370
13.	Total cost locks and dams		110,111,304
14.	Open-channel work:		
15.	Appropriations to date	$49,511,868	
16.	Appropriations over 65 years	$3,878,962	
17.	Percentage of appropriations over 65 years	7.834	
18.	New work to date	$15,962,260	
19.	New work over 65 years (line 17 multiplied by line 18)	$1,250,483	
20.	Total open-channel works 1890–1954, inclusive (line 18 minus line 19)		14,711,777
21.	Total capital outlay useful to navigation (line 13 plus line 20)		124,823,081
22.	Annual capital cost at 3.92 percent		4,893,065
23.	Maintenance, operation, and care, 5-year average:		
24.	Gallipolis Dam (sheet 3 of 5)	$123,850	
25.	Less allocation to tributaries (sheet 3 of 5)	48,822	
			75,028
26.	All other locks and dams	6,660,408	
27.	Less allocation to tributaries (sheet 3 of 5)	448,542	
			6,211,866
28.	Open-channel work		870,070
29.	Total maintenance, operation, and care		7,156,964
30.	Total annual costs (line 22 plus line 29)		12,050,029
31.	Traffic units:		
32.	Freight tons		55,076,677
33.	Freight ton-miles		11,556,889,197
34.	Federal aid:		
35.	Per ton (line 30 divided by line 32)		$0.219
36.	Per ton-mile (line 30 divided by line 33)		$0.00104

Source: Annual reports of the Chief of Engineers, U. S. Army; Waterborne Commerce of the United States, Calendar Year 1954, Department of the Army, Corps of Engineers; and H. Doc. No. 159, 79th Cong., 1st sess., year 1944.

Allocation of capital cost of selected dams on the Ohio River to tributaries, year 1954

Dam	Reported capital costs	Tributary	Percentage allocated [1]	Amount allocated
Emsworth	$5,861,765	Monongahela	46.47	$2,723,962
		Allegheny	27.80	1,629,571
No. 18	927,091	Muskingum	.90	8,344
No. 19	1,213,848	Little Kanawha	11.51	139,714
No. 29	1,088,802	Big Sandy	2.35	25,587
No. 41	7,345,240	Kentucky	3.58	262,960
No. 48	3,062,700	Green	11.14	341,185
No. 50	3,751,614	Tradewater	8.62	323,389
No. 52	4,461,462	Cumberland	33.33	1,487,005
		Tennessee	25.66	1,144,811
Gallipolis [2]	9,696,919	Kanawha	39.42	3,822,525
Total amount allocated				11,909,053

[1] Based on miles of equivalent 9-foot channel provided in each waterway.
[2] Reported under Kanawha River project.

Source: Annual reports of the Chief of Engineers, U. S. Army; H. Doc. No. 159, 79th Cong., 1st sess., year 1944.

Derivation of cost of operation and care of Gallipolis lock and dam, Kanawha River project, year 1954

1.	Cost of operation and care of all locks and dams on Kanawha project:	
2.	Average 1937–40, inclusive	$175,244
3.	Average 1950–54, inclusive	$342,133
4.	Percent 1950–54 average of 1937–40 average	195.23
5.	Cost of operation and care of Gallipolis Dam, average 1937–40	$63,438
6.	Estimated cost of operation and care of Gallipolis Dam, average 1950–54 (line 4 multiplied by line 5)	$123,850

Source: Annual reports of the Chief of Engineers, U. S. Army; H. Doc. No. 159, 79th Cong., 1st sess., year 1944.

Allocation of estimated cost of operation and care of locks and dams on the Ohio River to tributaries, year 1954

Dam	Estimated cost	Tributary	Percentage allocated	Amount allocated
Emsworth	$403,438	Monongahela	46.47	$187,478
		Allegheny	27.80	112,156
No. 18	137,366	Muskingum	0.90	1,236
No. 19	116,492	Little Kanawha	11.51	13,408
No. 29	123,941	Big Sandy	2.35	2,913
No. 41	447,528	Kentucky	3.58	16,022
No. 48	206,991	Green	11.14	23,059
No. 50	110,423	Tradewater	8.62	9,518
No. 52	140,281	Cumberland	33.33	46,756
		Tennessee	25.66	35,996
Gallipolis	123,850	Kanawha	39.42	48,822
Total				497,364
Total excluding Gallipolis				448,542

Source: Annual reports of the Chief of Engineers, U. S. Army. H. Doc. 159, 79th Cong., 1st sess., year 1944.

Derivation of the cost of operation and care of selected locks and dams on the Ohio River, year 1954

1.	Cost of operation and care of all locks and dams on the Ohio River: [1]	
2.	Average 1936 to 1940, inclusive	$2,573,383
3.	Average 1950 to 1954, inclusive	6,660,408
4.	Percent 1950 to 1954 average of the 1936 to 1940 average	258.82
5.	Cost of operation and care of selected locks and dams:	

	Dam	Average, 1936–40	Percent, 1950–54 average of 1936–40 average	Estimated 1950–54 average cost (col. 2×col. 3)
	(1)	(2)	(3)	(4)
6.	Emsworth	$155,876	258.82	$403,438
7.	No. 18	53,074	258.82	137,366
8.	No. 19	45,009	258.82	116,492
9.	No. 29	47,887	258.82	123,941
10.	No. 41	172,911	258.82	447,528
11.	No. 48	79,975	258.82	206,991
12.	No. 50	42,664	258.82	110,423
13.	No. 52	54,200	258.82	140,281
14.	Total	651,596		1,686,460

[1] Excluding Gallipolis Dam reported under Kanawha River project.

Source: Annual reports of the Chief of Engineers, U. S. Army. H. Doc. 159, 79th Cong., 1st sess., year 1944.

Basis of allocation of costs of Ohio River dams to tributaries

Ohio River Dam	Miles of channel in the Ohio	Tributary		Equivalent miles in both Ohio and tributary	Percentage allocation to tributary
		Name	Miles of equivalent 9-foot channel		
Emsworth	6.2	Monongahela	11.2	24.1	46.47
		Allegheny	6.7		27.80
No. 18	12.4	Muskingum	.1	12.5	.90
No. 19	12.3	Little Kanawha	1.6	13.9	11.51
No. 29	8.3	Big Sandy	.2	8.5	2.35
No. 41	72.7	Kentucky	2.7	75.4	3.58
No. 48	31.9	Green	4.0	35.9	11.14
No. 50	31.8	Tradewater	3.0	34.8	8.62
No. 52	35.8	Cumberland	29.1	87.3	33.33
		Tennessee	22.4		25.66
Gallipolis	47.8	Kanawha	31.1	78.9	39.42

Source: H. Doc. 159, 79th Cong., 1st sess., year 1955, p. 673.

Appendix A. Description of Methods

The objective of this study is to develop a reasonable estimate of the annual cost of Federal aid to navigation on certain inland waterways, evaluated in terms of the volume of traffic using each waterway.

The costs which have been determined for each of the selected waterways do not represent the full cost of Federal aid attributable to navigation, but rather, only that portion of Federal expenditures for waterway improvement which can be readily ascertained and reasonably assigned to navigation. Limitations of available data preclude a more accurate ascertainment of such costs. No accounting has been made herein for aid from governmental agencies such as Coast Guard and Weather Bureau.

Among the Federal agencies which publish expenditure records on an individual project basis, the Corps of Engineers of the United States Army is of primary importance since most waterway improvements have been provided by them. The corps' records must necessarily be supplemented by those of the Tennessee Valley Authority in determining costs pertaining to the Tennessee River. In addition to expenditures, the annual report of the Chief of Engineers includes complete statistics of traffic volume on all inland waterways.

One of the most comprehensive studies ever made of Federal aid to domestic waterways is embodied in a report of the Board of Investigation and Research entitled "Public Aids to Domestic Transportation." That report hereinafter is referred to as the BIR study, and was published in September 1944 as House Document No. 159, 79th Congress, 1st session. As far as was practicable, the methods used and figures shown in that document were incorporated into this study.

The method prescribed in the BIR study consisted of the following basic steps:

1. Computation of a total capital cost of improvements useful to navigation in the year under study.
2. Amortization of such cost over a 50-year period allowing for interest of 3.5 percent on unamortized investment, and using a sinking-fund method to determine annual charges.
3. Computation of a 5-year average cost of maintenance predicated on the assumption that any one year's maintenance would be of benefit to navigation for an average of 5 subsequent years.
4. Evaluation of annual capital and maintenance costs in terms of traffic volume.

For most waterways the capital cost of improvements was computed from the "Cost and financial summaries" in the annual reports of the Chief of Engineers, United States Army, which are reported for fiscal years ending June 30. The corps reports show separately the expenditures for navigational purposes and expenditures for other than navigation except on multiple-purpose projects such as that on the lower Mississippi River. These summaries allow for accounts receivable and accounts payable without any allowance for interest and amortization on capital. Within each summary since 1922, the expenditures have been broken down between new work and maintenance, a separation not quite identical to but closely similar to the usual differentiation between an expenditure for capital facilities and one for ordinary maintenance.

The cost shown for new work is cumulative from the first Federal improvement of each waterway unless there has been a complete revision of project, such as there was incident to the improvement of the Tennessee River. Thus certain adjustments were necessary to arrive at a cost for only those improvements useful to the year 1937 to which the BIR study pertains. The adjustments of the cost summaries were based on the following suppositions:[1]

1. That the divisions of expenditures between new work and maintenance from 1872 to 1922 was in the same ratio as shown by the cumulative statement to June 30, 1922.
2. That expenditures for new work on waterway improvements may be amortized over a 50-year period.
3. That the interest rate applicable to long-term Federal investments may be taken as 3.5 percent.
4. That all expenditures shown for rivers and harbors were of direct aid to transportation except that the costs reported for a few multiple-purpose projects are assigned only in part to navigation. These summary tabulations of Federal outlays officially designated as having been made for navigation may overstate the amounts of public aid to transportation, insofar as some costs may actually have been incurred, or relatively incidental benefits may have been conferred, for other purposes which cannot be segregated.
5. That annual expenditures shown by the Army engineers for maintenance, a term which is used by them to cover all operating expenses, actually benefit traffic for 5 succeeding years and should be spread accordingly.

Each of these suppositions were predicated on results of intensive investigation and research.

Cost of new work over 50 years of age, i. e., prior to 1890, was eliminated from the cumulative cost of new work to 1939 on the basis of appropriations. The formula used is as follows:

$$\frac{\text{Appropriations since 1889}}{\text{Cumulated appropriations to 1939}} \quad \text{Cumulated cost of new work to 1939} = \text{Estimated cost of new work between 1889 and 1939}$$

Any facilities less than 50 years old which were known to be obsolete, were also eliminated from the cumulative cost of new work. Data concerning the cost of such facilities were estimated from the published project records or supplied by the Army engineers in special communications.

The cumulative cost of facilities useful to navigation in the year 1939 as determined above, were then amortized at the rate of 4.2 percent, a rate which by the sinking-fund method allowed for interest of 3.5 percent on unamortized investment and an amortization period of 50 years. This produced an annual charge for capital to which a charge for maintenance was added to produce the total cost of Federal aid for the year 1939.

The annual maintenance charges were computed by averaging the maintenance costs reported for the years 1935 through 1939. The term "maintenance" includes repairs of structures, channel work to hold dimensions that have once been obtained, operating expenses at locks, and other recurrent expenditures. Most of the project reports separate maintenance costs for locks and dams and for open-channel work. As these costs vary considerably from year to year, as do the availability of funds for maintenance, the use of a 5-year average was considered appropriate.

The traffic units incorporated therein were the ton and ton-mile units of freight carried on each waterway, as reported in the Chief of Engineers' annual reports.[2] In most cases the ton-units included all commodity traffic, ferry traffic, and passenger traffic. Costs were assigned to passenger traffic on a ton-mile equivalent basis, allowing for 4 passengers to the ton for regular passengers and 12 to the ton for ferry, recreational, and excursion passengers. All passenger traffic

[1] H. Doc. No. 159, 79th Cong., 1st sess., year 1944, p. 334.

[2] These statistics are reported for the calendar years only, while the cost data are for the fiscal years ending June 30. Because of that fact either of the two methods was feasible in determining unit costs: (1) Costs incurred between June 30 and December 31 could be assigned to the traffic of the following year, or (2) costs from January 1 to June 30 could be assigned to traffic of the preceding year. Under the first method traffic would get some benefits from improvements not yet charged while under the second traffic would be charged with some improvements not yet made. Unless either traffic costs varied greatly from year to year, the use of either method would produce approximately the same unit costs. The first method was used by the BIR and has been adopted for use in the present study.

was excluded from the computations of unit costs on any waterway where that method would allocate to passenger a cost of less than 1 percent of the total cost.

An exception to the above general method of cost determination was the method employed incident to the lower Mississippi River. The project on this waterway was a multiple-purpose one and, for the most part, the available reports did not segregate expenditures between those for navigation and those for flood control, nor between new work and maintenance. The improvement of this waterway is chiefly under the jurisdiction of the Mississippi River Commission, and to a lesser extent under the Corps of Engineers. The Mississippi River Commission reported expenditures in considerably more detail than did the Engineers. As will be explained in greater detail in this study for that section of the Mississippi, it was possible to determine with a fair degree of accuracy the expenditures for each type of facility provided and to assign a share to navigation. The rates of allocation of joint costs as employed in the BIR study represented the best judgment of waterway authorities. The description of work performed afforded a basis for allocations between expenditures for new work and for maintenance.

The costs reported by the Chief of Engineers, United States Army, were segregated as to purpose and were additions to the costs incurred by the Mississippi River Commission.

Study for the year 1954

In making the present study of the cost of Federal aid to navigation for the year 1954, the same general methods, as discussed above, were used wherever feasible. Certain deviations from the BIR procedures were necessary due to limitations of available data and changes in the status of waterway projects. To facilitate the computations for 1954, the average useful life of capital improvements was assumed to be 65 years instead of 50 as mentioned above. This assumption facilitated the determination of capital costs for waterways where the elimination of the cost of obsolete improvements was extremely arduous and time consuming. It also made possible more accurate cost determinations for waterways where published records had to be supplemented through special communications. It was necessary only to add the cost of new work since 1939 to the cost for that year, as shown in the BIR study, to arrive at a total capital cost for 1954. There is adequate premise for this assumed 65-year life. The Federal Coordinator of Transportation used a weighted average of 80 years;[3] and the water resources committee of the National Resources Planning Board recommended a 60-year maximum period for the evaluation of water projects.[4]

Using a sinking-fund method, amortization of the investment over a 65-year period allowing for interest at 3.5 percent on the unamortized portion produces an annual charge of 3.92 percent.

Other departures from the BIR method will be explained in the following analysis of each of the selected waterways.

MISSOURI RIVER (SCHEDULE II)

For improvement purposes, the Missouri River is divided into three sections: (1) Kansas City to mouth, (2) Kansas City to Sioux City, (3) Sioux City to Fort Benton, including the Fort Peck Dam project. No costs of the Sioux City to Fort Benton, including the Fort Peck Dam project, are included in this study. The extent that the Fort Peck Dam project contributes aid to navigation is not measurable, and it is even questionable that it contributes any. Channel work from Sioux City, while offering potential benefits to navigation, has not been utilized to date. Traffic in the year 1954 represented only 58,953 tons, including Government materials, and represented only 203,311 ton-miles. Any attempt at this time to assign its cost to navigation would seemingly distort the propriety of this study.

The improvement programs on the two lower sections of the river, as reported by the Army engineers, have been officially designated as being for navigation and are separate from the flood-control projects. All improvements for navigational purposes are less than 65 years old. Computations for each section will be considered separately.

Kansas City to mouth of River.—The "Cost and financial summary" in the Chief of Engineers annual report shows the cost of new work to June 30, 1954, to be $95,904,732. None of the facilities, the cost of which is included in that

[3] Public Aids to Transportation (1939), vol. 3, p. 28.
[4] H. Doc. 142, 77th Cong., 1st sess. (1941), p. 382.

figure, was obsolete or older than 65 years. Amortization of that cost at 3.92 percent produces an annual charge for capital of $3.759,465. Maintenance costs reported for the years 1950–54, inclusive, varied from $2,041,509 in 1951 to $3,658,565 in 1954 with a 5-year average of $2,898,664. Addition of that average maintenance to the annual capital charge produces a total annual cost of $6,658,129 on this section of the Missouri for the year 1954.

Traffic handled during the calendar year 1954 amounted to 1,254,135 tons and 116,013,950 ton-miles. Dividing the $6,658,129 annual cost by the tons produces a cost of Federal aid amounting to $5.347 per ton. Substituting the ton-miles for tons, the unit cost becomes 5.74 cents per ton-mile.

Kansas City to Sioux City.—For this section of the Missouri River the total cost of new work for navigational purposes to June 30, 1954, was reported to be $114,209,461. When amortized at the rate of 3.92 percent, the annual capital charge is $4,477,011. During the 5-year period 1950 to 1954, maintenance costs ranged from $3,111,640 in 1951 to $6,136,140 in 1953, and the 5-year average amounted to $4,032,084. Adding the maintenance cost to the capital charge produces a total annual cost of $8,509,095. Including Government traffic there were 1,479,499 tons and 31,308,047 ton-miles carried on this section of the river in 1954. Evaluating the 1954 annual cost in terms of the traffic handled produces costs of $5.751 per ton and 27.18 cents per ton-mile.

Federal improvement of these two sections of the Missouri River from the standpoint of traffic handled, is by far the most costly of any of the waterway projects under study herein.

TENNESSEE RIVER (SCHEDULE III)

All Federal improvements made for navigation on the Tennessee River prior to 1925 were either flooded out or removed with the construction of dams now included in the present river development. Improvements made by the Army prior to 1933 became obsolete after the inception of the Tennessee Valley Authority program, with the exception of three locks and dams now incorporated into the new project. Of these exceptions, Wilson dam and locks and the locks at Hales Bar were transferred to the Authority. Hales Bar dam was built by the Tennessee Electric & Power Co. and sold to the Authority. Since the inception of the Authority, all dams and locks have been financed by it except the locks built by the Army at General Joe Wheeler Dam.

In accounting for the cost of capital improvements, it was necessary to make certain adjustments to costs reported by the authority and by the Army engineers. Wilson Dam, with its locks was built by the Army engineers at a total cost of $46,973,540. It was transferred to the Authority in 1933 and the Authority recorded it on their books at $36,329,049 representing its reproduction cost new in 1933.[5] The amount written off ($10,644,491) was actually an expenditure of Federal funds and a portion should be included in computing cost of Federal aid to navigation. The percentage for the allocation of multiple-use facilities to navigation was 27 percent. Thus, $2,874,013 or 27 percent of the amount written off was charged to navigation for including in this study. The cost to the Army engineers for the construction of the locks at Wheeler Dam was the basis for its valuation in the Authority's books. However, as its cost of $1,796,295 was also included in the corps' reported cost of new work, it was necessary to eliminate it therefrom. Dam and lock No. 1, built by the Corps of Engineers under a previous project, was not transferred to the Authority, nor was its cost of $989,215 included in the corps' reported cost of new work, therefore, its cost has been added to the cost of new work as shown. As will be explained in more detail under the Ohio River Study, dam No. 52 on the Ohio River provides 22.4 miles of equivalent 9-foot channel on the Tennessee. On the basis of the miles of equivalent 9-foot channel provided in each, 25.66 percent of its cost, or $1,144,811 was allocated to the Tennessee.

The TVA reported the cost of the navigational facilities on the Tennessee River to be $157,985,788 to the year 1954. That figure includes $46,183,105 representing the cost of facilities that are of a direct aid to navigation and $111,802,683 allocated to navigation, i. e., 27 percent of the cost of the multiple-use facilities. That allocation is based on the principle of "alternative justifiable

[5] Tennessee Valley Annual Report, 1941, p. 56: "The authorities' engineers found that the cost of reproduction cost new in 1933 was $36,329,049 * * * and that accrued depreciation was $5,029,049. The value thus determined forms the basis of the authorities' accounting for this dam."

expenditure." Briefly, it involves a distribution of common costs to navigation, flood control, and power production in proportion to the costs of achieving each by means of single-purpose systems.

The Corps of Engineers reported cost of new work of $2,244,236, when adjusted for the cost of the lock at Wheeler Dam, becomes $447,941. This cost plus that reported by the TVA, after the above-mentioned adjustments produces a total capital outlay of Federal funds for navigation on the Tennessee River in the amount of $163,441,768. Amortization at the rate of 3.92 percent produces an annual capital charge of $6,406,917.

Maintenance and operation expenses charged to navigation by the TVA in the 5-year period 1950 to 1954 averaged $1,335,307, after the exclusion of all charges for depreciation. That figure represents costs directly assigned and costs allocated to navigation by the authority. The Corps of Engineers, whose chief function on this waterway is to maintain the channel and to maintain and operate the locks at each dam, reported costs which averaged $664,850 per annum during the same period. To these amounts there should be added $35,996 representing a share of the estimated average cost of maintenance of dam No. 52. Total annual maintenance costs of $2,036,153 plus the annual capital charge produces a total cost of $8,443,070 to be charged to the traffic handled on the Tennessee River in the year 1954.

Traffic of 8,532,238 tons and 1,239,628,696 ton-miles, both including additions for car-ferry traffic, were used to compute the unit costs of $0.990 per ton and $0.681 cents per ton-mile for Federal aid to navigation on the Tennessee River for the year 1954.

MISSISSIPPI RIVER (SCHEDULES IV, V, AND VI)

For the purpose of this study, costs on the Mississippi River were computed separately for each of the three sections: (1) Reservoirs at headwaters to mouth of the Missouri; (2) mouth of the Missouri to the mouth of the Ohio; and (3) mouth of the Ohio to New Orleans, La.

Reservoirs at headwaters to mouth of Missouri.—The reservoirs at the headwaters are considered to be of direct benefit to navigation on the upper Mississippi as they were built to augment the dry-season flow between St. Anthony Falls and Lake Pepin, 52 miles below St. Paul, Minn. Between Minneapolis and Alton, the present project for locks and dams is entirely different from the original open-channel project. The adjusted cost of new work of $152,689,658, as shown in the BIR study for this section of the river, included $17,700,000 of the cost under the original project, which amount the Chief of Engineers estimated was still useful to navigation in the year 1939.

As reported by the Corps of Engineers, the cost of new work since 1939 amounted to $31,417,348 which amount was added to the aforementioned cost to 1939 to arrive at a total cost since 1888 of $185,293,453. However, included in that amount is the cost of construction of the Henry T. Rainey Dam, which is located at Alton, Ill. This dam provides 80.2 miles of slackwater in the Illinois River as well as 38.5 miles in the Mississippi. Adopting the same procedure as was used in the BIR study, a portion of the cost of construction was assigned to the Illinois River on the basis of miles of equivalent 9-foot channel provided in each stream. Of the reported cost of $15,272,900, 67.6 percent or $10,324,480 was allocated to the Illinois. After such assignment, the cost of facilities useful to navigation in 1952 amounts to $174,968,973. Annual capital charges at 3.92 percent amount to $6,858,784. The 5-year average maintenance charges were computed as follows: Reservoirs at headwaters, $86,002; Minneapolis to mouth of Missouri, $3,916,133; and total, $4,002,135. All before any allocation to the Illinois. As reported costs of maintenance are not allocated to individual dams, that applicable to the Henry T. Rainey Dam had to be approximated. For use in the BIR study, such information was furnished by the Corps of Engineers by special request. The Henry T, Rainey Dam is 1 of 3 under the jurisdiction of the St. Louis district engineers. Recurrent annual expenditures, as reported, are separated between "maintenance," a term used to include costs incurred in connection with channel work, and "operation and care," used to include costs incurred in connection with the dams and locks. An analysis of work performed under the category of operation and care revealed that most of the work was in connection with painting, repairing, and operating the lock. It then seemed feasible to assign the costs, as reported, to individual dams on the basis of the relative size of their locks. From information available, cubic capacity seemed to be the best indicator of size. Proration of the cost of operation and care of dams reported by the St. Louis district, to

the 3 dams to the basis of their relative size, effected a 5-year average cost of operation and care for the Henry T. Rainey Dam of $197,423, or about 60 percent of the average for the district. An amount of $133,458, or 67.6 percent of this cost, was assigned to the Illinois River. After that adjustment, maintenance, including operation and care, of $3,868,677 when added to the annual charge for capital produces a total annual cost of $10,727,461 to be charged to the traffic for the year 1954.

Traffic on this section of the river consisted of 16,295,544 tons and 2,946,985,788 ton-miles. The unit costs were calculated to be $0.658 per ton and 0.364 cents per ton-mile for Federal aid in the year 1954.

Mouth of the Missouri to the mouth of the Ohio.—This section of the river presented no special problems. The subtraction of the cost of new work to June 30, 1939, from the cost to June 30, 1954, produced a cost of $48,087,581 which was added to the adjusted cost of $28,880,666 shown in the BIR study to produce a total cost of new work between the years 1889 and 1954, of $76,968,247. Amortizing this at 3.92 percent results in an annual charge of $3,017,155. After the addition of the 5-year average maintenance of $1,321,634, the total annual cost becomes $4,338,789.

Freight traffic was reported to be 17,663,048 tons and 2,657,751,304 ton-miles for the year 1954. Federal aid for navigation was computed as 24.6 cents per ton or 0.163 cents per ton-mile.

Mouth of the Ohio to New Orleans, La.—This section, previously referred to as the lower Mississippi, is unique in that projects are not segregated between navigation and flood control. As aforementioned, improvements are chiefly provided by the Mississippi River Commission, and to a lesser extent by the Corps of Engineers. Most of the costs incurred by the Army engineers were charged to navigation. Improvements made by the Commission are of benefit to flood control as well as navigation. The costs, after analysis of each item, could reasonably be apportioned to navigation and flood control. The following percentages were used in the BIR study, and were adopted for this study:

	Percent		
	Flood control	Navigation	
		New work	Maintenance
Levees	100		
Floodways	100		
Contraction works (construction)		100	
Dredging floodways	100		
Dredging cutoffs	50	50	
Revetments (construction)	50	50	
Patroling and marking channels			100
Interest on undistributed plant	75		25
Surveys, gages, and observations	75		25
Mapping	75		25

General dredging was charged entirely to navigation, separations being made between new work and maintenance on basis of the description of the project. Beginning with the year 1944, the Mississippi Commission consolidated all types of dredging. For purposes of the present study, the charges were divided equally between navigation and flood control, on basis of experience developed for prior years.

Additional costs of new work since 1939 were computed to be $83,289,062, including $321,764 incurred by the Army. Adding this to $87,238,802 shown in the BIR study produces a total Federal outlay for navigation amounting to $170,527,864 between 1889 and 1954. The annual charge for capital was computed to be $6,684,692.

Five-year average maintenance was determined to be $5,407,407, of which $5,002,575 was incurred by the Mississippi River Commission and $404,832 by the Army engineers. The total annual charge for the year 1954 was $12,092,099.

Traffic statistics for this waterway are reported in two sections. Reported tonnage contains inseparable duplications. Therefore, any assignment of cost to the ton-units would be meaningless and has been eliminated. Total traffic for this section in 1954 was 15,759,299,930 ton-miles. Assignment of the above annual cost to this 1954 traffic resulted in a cost of 0.077 cent per ton-mile.

ILLINOIS WATERWAY (SCHEDULE VII)

Improvement of the Illinois waterway has been financed jointly by the Chicago Sanitary District, the State of Illinois, and the United States. As this study was designed to include only Federal expenditures, no costs of improvements by either the Sanitary District or the State of Illinois have been included.

The Army's engineers' project now includes the full 291 miles of the Illinois River from Grafton to Lockport. The BIR study showed the Federal outlay for improvements between the years 1889 and 1939 to be $34,225,017. The expenditures between 1939 and 1954 were computed at $5,157,372, which when added to the BIR study figure and an amount of $10,324,480 allotted from the Mississippi producers a 65-year cost of $49,706,869. This, when amortized, produces an annual capital charge of $1,948,509.

Average annual maintenance for the years 1950–54 was $1,713,244 for the Illinois River project which added to $133,458 allotted from the Henry T. Rainey Dam produces a total of $1,846,702. Total charges for the year, including the capital charge, were computed as $3,795,211.

Traffic from the mouth of the Illinois River at Grafton, Ill., to Lockport, Ill., was reported to be 15,354,052 tons and 2,838,258,168 ton-miles. Federal aid for 1954 amounted to 24.7 cents per ton or 0.134 cent per ton-mile on this waterway.

OHIO RIVER (SCHEDULE VIII)

Federal improvements on the Ohio River are provided for under two projects: one for construction and operation of dams and locks and the other for open-channel work. No expenditures for flood control or hydroelectric development were included in the reports for either project. Cost of open-channel work was determined by the elimination of the cost of new work over 65 years old from the cumulative cost of new work to June 30, 1954. Cost of new work over 65 years was approximated on the basis of appropriations, as mentioned above.

The cost of construction of the locks and dams on the Ohio River are reported for each dam in the corps' report. However, certain dams provide navigational benefits by way of improved channels in the tributaries of the Ohio. This necessitated an assignment of a portion of the cost of construction and the cost of maintenance of each dam to the tributary served. Again the BIR study showed assignment on the basis of miles of equivalent 9-foot channel provided in each. The corps reported the total cost of the locks and dams to be $122,356,523 to which was added the additional cost of examinations and surveys, and the cost of Gallipolis Dam which is below the mouth of the Kanawha River. The total additional cost amounted to $10,663,151 including the cost of Gallipolis Dam reported under the Kanawha River project to be $9,696,919. Thus the total cost of locks and dams before adjustment was determined to be $133,019,674. Included in that figure are the costs of dams Nos. 1 to 6 inclusive ($6,266,435), dam No. 41 ($312,894), and dams Nos. 24, 25, and 26 ($4,419,988) all of which have been replaced by dams now in operation. An additional amount of $11,909,053 was determined to be assignable to the tributaries. Taking into account these adjustments, the cost of dams and locks becomes $110,111,304. Total capital outlay, including open-channel work, was computed as $124,823,081 of which $4,893,065 is chargeable to 1954 traffic.

As maintenance costs are not reported by individual dams, it was necessary to estimate the amount applicable to dams serving the tributaries. For the BIR study that information was furnished by the corps through special letter. In the absence of a more accurate method, the 1954 costs were determined by projecting the 1940 costs as shown, to the year 1954 on the basis of the increase in maintenance costs for all locks and dams on the Ohio River. Costs pertaining to Gallipolis Dam were determined in the same manner. Allocations to tributaries were made at the same rates as in the BIR study. Total maintenance locks and dams, after allocation to tributaries, was determined to be $6,286,894 and maintenance of open channel to be $870,070, making a grand total of $7,156,964.

Combining the capital cost and maintenance results in a total cost of $112,050,-029. Waterborne traffic for 1954 consisted of a total of 55,076,677 tons, which produced 11,556,889,197 ton-miles. Charging this traffic with the above cost results in a unit cost of 21.9 cents per ton or 0.104 cent per ton-mile.

Mr. JONES. Mr. Robert Mitten, a representative of the Illinois Central Railroad.

STATEMENT OF ROBERT MITTEN, ATTORNEY, ILLINOIS CENTRAL RAILROAD CO., CHICAGO, ILL.

Mr. MITTEN. May I proceed, sir?

Mr. JONES. Yes, indeed. We are glad to have you, Mr. Mitten.

Mr. MITTEN. My name is Robert Mitten. I am employed by the Illinois Central Railroad Co. as an attorney with headquarters at 135 East 11th Place, Chicago 5, Ill. It was my understanding—and that is what I was prepared to testify to—that you gentlemen are soliciting the views of the public on the question of imposition of tolls for the commercial use of inland waterways as recommended by the Hoover Commission report, and I intend to confine my remarks to that point.

I make that observation because there have been some questions asked here that go beyond what I am prepared to speak on, sir.

Briefly, we feel that there should be imposed upon the commercial users of the inland waterways reasonable user charges sufficient to amortize the costs advanced by the Government for constructing, operating, and maintaining the otherwise free rights of way utilized by such users. The railroad industry, an industry composed of substantial taxpayers that has demonstrated itself to be essential to the national defense and to the economy of the country, objects to what it feels is an unnecessary Government subsidy in favor of users of the inland waterways and urges that equality of competitive conditions be maintained in all branches of the transportation field.

In our opinion there is no sound reason for recognizing, as Congress has, the validity of the principle of user charges in the case of the St. Lawrence seaway and at the same time continue to maintain a toll-free policy with respect to inland waterways.

Mr. JONES. Are you familiar with the reports that accompanied the St. Lawrence seaway?

Mr. MITTEN. Yes. And as I recall it you gentlemen said something to this effect: that this was not to be considered as establishing a precedent, if that is what you mean, sir. Yes, sir.

Mr. JONES. On the discussion of tolls.

Mr. MITTEN. You are absolutely right, sir. That is right, sir.

The Hoover Commission in commenting on the subject says:

> This Commission considers the most important of the task-force recommendations as to navigation is that a user charge be imposed upon shippers over inland waterways. Today the nature of traffic over the inland waterways has shifted to bulk traffic such as oil, coal, and ore. Also, there has developed a traffic on large pleasure craft mostly on inland canals for the benefit of a minor number of persons.
>
> At present the Government maintains these waterways free of charges at great annual expense.
>
> The principle of tolls was established for inland canals early in our history. The Government imposes a toll for the Panama Canal and the legislation which authorized the improvement of the St. Lawrence, adopted by Congress in 1954, makes it mandatory that tolls be collected sufficient to fully reimburse the Government for costs incurred in the construction, maintenance, and operation of the project. There is no distinguishing fact, theory, or principle to support user charges for the Panama Canal and on the St. Lawrence seaway, which does not equally support user charges for inland waterways.
>
> Aside from relieving the taxpayers of the country of the cost of providing special privileges mostly to large shippers of bulk commodities and to large-size pleasure craft, such a charge even of small dimensions would quickly demonstrate which waterways have now become an obsolete service and thus indicate those where the cost of maintenance and operation could be eliminated.

The imposition of a user charge would cause those who favor inland waterway projects, because of personal benefits that will accrue to them as users, to subject them to the same economic tests they would follow in making a capital investment of their own money and not to view the same from the standpoint of one who has everything to gain and only his small contribution in taxes to lose. The advocates of such governmental expenditures should be asked to answer one simple question—Would you be willing to acknowledge the economic soundness of Government subsidized competition to your industry? Most of the important industries that stand to reap some personal benefit from such use of Federal tax money, including the taxes derived from the railroads and from nonbenefiting inland industry, have professed to favor the preservation of the free enterprise system which in our opinion certainly includes both the right and obligation to pay one's own way. It is our position that it is not possible to be a part-time subscriber to the free enterprise philosophy. You cannot be for it except when there are personal advantages to be gained by reaping benefits from the Government subsidy.

The following remarks of the Board of Investigation and Research, in its report (H. Doc. 159, 79th Cong., 1st sess.) in Public Aids to Domestic Transportation appear particularly appropriate:

> It must be added that, in view of the predominant use of many improved waterways by a few private contract carriers serving principally certain large industrial concerns, it cannot properly be assumed that the benefits are broadly enough diffused so as to make it a matter of indifference whether the costs of waterway improvements are borne by users or taxpayers.

After all, the cost of transportation is generally regarded as a part of the cost of industry to be paid for by the purchasers of its products and not something to be paid for by taxpayers gaining no benefit therefrom.

There cannot be any real economic saving from the mere shifting of transportation costs from a limited number of users to the general taxpayers. The advantages to be gained by imposition of tolls are well stated in the report of the Section of Research, Federal Coordinator of Transportation, on Public Aids to Transportation (vol. III, p. 121):

> The charging of tolls would (1) contribute to placing the several forms of transportation on more nearly equal competitive terms, lay the basis for a more effective cooperation of the different forms of transportation in the public interest, and lessen the trade dislocations that result from the competition of shippers who pay rates based on a complete line of costs with those who pay rates based on costs borne in part by the general taxpayer; (2) promote adequate control and a rational planning of future waterway improvements; and (3) to a minor extent contribute to the Public Treasury funds needed for the general purposes of government.
>
> Each of these reasons is a sound one. Private capital cannot, in the long run, compete with public capital; aid which one form of transportation receives and a competitive agency does not tends to render the facilities and services of the latter less and less responsive to the needs of the public. Cooperation of agencies using different media of transportation can accomplish much; at present, competitive conditions are becoming more and more chaotic and rate structures increasingly disorganized. Trade dislocations caused by the competition of shippers who use publicly provided facilities without direct cost are, other things being equal, economically wasteful in that they result from a shifting of costs to the public and not from superior efficiency. There is evidence that such dislocations will become increasingly numerous.

Incidentally, if any savings in transportation costs are realized, as alleged by the proponents of waterway projects, it seems only fair

to us that the users of the waterways should reimburse the Government for the cost of providing the facilities which make those savings possible. For example, if the benefit-to-cost ratio on the Mississippi is 3.17 to 1 the river shipper saving $3.17 at a cost of $1 to the Federal Government should certainly be willing to return to the Government the tax money of the railroads, inland shippers and other taxpayers used to defray that $1 in cost and be content with a net saving of $2.17.

We are not here dealing with an essential industry in its infancy where help might be justified for a development period. Inland waterways have been with us as long or longer than most forms of public transportation and have been the recipients of Federal subsidy for years. We are urging, however, that expenditures for inland waterways be limited to amounts that can be recovered in charges imposed upon those deriving direct benefits therefrom. Those who advocate inland-waterway projects would be compelled to take a similar position if Government subsidy of competition in the field of their industry was being threatened.

The idea of toll charges did not originate in the minds of the railroads—it has not been manufactured by those who might be charged with partisanship, unless advocating sound economics falls within that category. There are some very prominent proponents of the user charge principle. We find the Federal Coordinator of Transportation in 1939; the National Resources Planning Board, in its report on transportation and national policy in 1942; the staff of the Board of Investigation and Research in 1944; Dearing and Owen in their report on transportation policy, published by the Brookings Institution in 1949; Senator Bricker in his Progress Report in 1951; and many others have advocated or discussed in a favorable light the imposition of charges for the use of publicly financed waterway facilities.

That sentiment on the subject has been gradually growing stronger is clearly demonstrated by a comparison of the following remarks:

President Roosevelt, in his budget message to the Congress of January 20, 1940, said:

> I have always believed that many facilities made available to our citizens by the Government should be paid for, at least in part, by those who use them. * * * It would seem reasonable that some portion of these annual expenditures (for maintenance of dredged channels, etc.) should come back in the form of small fees from the users of our lakes, channels, harbors, and coasts.

President Truman, in his budget message to the Congress for the fiscal year 1951, said:

> The long-term interest of the general taxpayer, as well as the users of transportation, will best be served by the development of a balanced transportation system, substantially independent of Government support.

President Eisenhower, in his budget message in 1954, stated that the national interest will usually be served best by a privately owned and operated industry, which is supported by a minimum of Federal funds or Federal basic facilities and services operated at the lowest feasible cost and financed, where possible, by charges levied on the users of the services. In his budget message to the Congress January 17, 1955, he reaffirmed his previous expressions, saying:

> The basic principle underlying budget recommendations for programs in the field of transportation, housing, and business is that the national interest is best served by privately owned and operated industry, which is assisted by a minimum of Federal funds and Federal basic facilities operated at the lowest feasible

cost and financed, where possible, by charges levied on the users of the services. * * * I firmly believe that as large a proportion as possible of the expenditures of the Government should be borne by those directly benefiting therefrom. The user charge principle should be further extended.

We submit that the continued freedom of commercial users of our inland waterways from the payment of any of the costs of constructing, operating, and maintaining the same is not in accord with the best interests of our national economy and the continuance of a strong and healthy national transportation system. We urge that Congress authorize a user charge on inland waterways sufficient to recapture the investment of the Government and thereby place all forms of transportation on a plane of equality.

The national transportation policy expressed in the Transportation Act of 1940 can only be fulfilled by making every agency of transportation pay all its own costs, charge rates sufficient to cover its own costs, and meet its competition on a truly equal basis. It is only in that manner that the inherent advantages of all modes of transportation may be recognized and preserved. The imposition of a user will do much to recognize the policy voluntarily assumed by Congress to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices—all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States and of the national defense.

Mr. JONES. Thank you very much, Mr. Mitten. Who was the president of the Illinois Central Railroad in the late 1920's? I am trying to recall his name.

Mr. MITTEN. I go back, sir, to Mr. Downes. Maybe you are talking about Mr. Markham.

Mr. JONES. Wasn't that Mr. Markham, president of the Illinois Central Railroad, who testified before a House or a Senate committee to the effect that the construction of these navigation projects increased railroad traffic by permitting the railroads either to prehandle or rehandle the freight?

Mr. MITTEN. I am not aware of that, sir. I feel rather certain that nobody in my time has so testified.

Mr. JONES. Mr. Reuss.

Mr. REUSS. I take it that your recommendation is, as stated on pages 1 and 7, that Congress should authorize a user charge on the waterways sufficient to recapture the original investment by the Government for the construction of waterway improvements, plus the operation and maintenance.

Mr. MITTEN. All costs; yes, sir.

Mr. REUSS. By which you mean they should pay in user charges—the shippers and the companies that own the canal boats and other boats—should pay enough so that on a fair amortization schedule there would be recaptured by the Treasury all the costs for the locks and dredging, et cetera?

Mr. MITTEN. Yes, sir; all costs.

Mr. REUSS. Was the Illinois Central a land-grant railroad?

Mr. MITTEN. Yes, sir.

Mr. REUSS. How many acres of land did the Illinois Central get from the Federal Government?

Mr. MITTEN. I can give you some information on that, sir. The Supreme Court of Illinois, in *People* v. *Illinois Central Railroad* (273 Ill. 220), held that the grant to the Illinois Central must be valued as of the time it was made and not at what the land sold for in later years. As a matter of fact, we sold most of ours immediately. Now, computed at a cost of $1.25—and I will explain the $1.25 also, sir—the total value of the land received by the Illinois Central was $3,243,750.

At the time the Illinois Central Land-Grant Act was passed, and as Congressman Jones probably remembers, the Illinois Central Land-Grant Act provided for a railroad from Chicago to Mobile. We never got to Mobile for some reason or other. That act had the effect of transferring title from the United States to the State of Illinois, and the State of Illinois passed it on to the Illinois Central. However, it was all part and parcel of the same thing.

At the time that the land was transferred to the Illinois Central the Federal Government had been offering the land at $1.25 an acre and it was not getting any takers. As a matter of fact, people holding war scrip at that time could purchase it at 62½ cents an acre. Following the passage of the Land-Grant Act, the Federal Government immediately withdrew all of its land from the market for a period of 6 months and then put it back on after the prospect of the railroad was in being, and immediately sold their land beginning at $2.50 an acre and sometimes considerably more. That is not the complete picture because there were two other things.

First there is the subject of land-grant rates which has been gone into considerably in the Halls of Congress. The Illinois Central, like other railroads receiving land grants, was obliged to carry Government traffic at reduced rates. The reduction was later repealed in the Supreme Court decision.

As of 1943, which, of course, was right in the middle of the war, when we were carrying a lot of land grant at that time, the Illinois Central had paid back to the Government $29 million for this $3 million grant. In addition to that the State of Illinois, when it granted to us the land we got, insisted upon a provision in the charter of the Illinois Central, under which, instead of paying a regular ad valorem tax that other folks have to pay, they assessed against us a 7-percent-gross-receipts tax with no deductions. That has been a very expensive thing to us.

In 1943 we calculated that we had paid $34 million more in our so-called charter line taxes than if we had paid on an ad valorem basis. At the present time those charter line taxes which cover the 705 miles of the original railroad run to about $6 million a year. Of course, in addition to that we pay regular taxes on our noncharter lines.

Mr. REUSS. Can you give me the figures in acres of the amount?

Mr. MITTEN. The only way I could do that would be to divide the 2,433,750 by $1.25, and that would give it to you.

Mr. REUSS. That would be somewhere close to 3 million acres?

Mr. MITTEN. Yes. I think that would be about it.

Mr. REUSS. A little under.

Mr. MITTEN. I am not an accountant. Whatever those figures come out to, sir.

Mr. REUSS. And you say that the Illinois Central elected to sell some or all of that acreage?

Mr. MITTEN. Practically all of it was sold; yes, sir. In fact, it has all been sold, but I mean practically all immediately.

Mr. REUSS. That was as a result of its own decision. Is that correct?

Mr. MITTEN. Oh, yes. Yes, sir. That is, it was an economic decision.

Mr. REUSS. Can you give us any figures on the present value of those particular acres?

Mr. MITTEN. Of course we do not own them any more.

Mr. REUSS. Of course I realize that.

Mr. MITTEN. I could not tell you. All I could tell you is we did not profit by it.

Mr. REUSS. Does that acreage include the Illinois farmlands along the Illinois Central right-of-way?

Mr. MITTEN. Oh, yes. As we say, it comes right down the main line of mid-America. But it was not very valuable without a railroad.

Mr. REUSS. Some of the best cattle farming lands of Illinois are located near your right-of-way.

Mr. MITTEN. Yes, sir.

Mr. REUSS. Do you know offhand what farmland of that general caliber sells for in Illinois today?

Mr. MITTEN. Recently it sold for astronomical figures. I cannot tell you, sir.

Mr. REUSS. Well, about $200 an acre?

Mr. MITTEN. Oh, some of it more than that. I wish we had held onto it, sir, so that we could glean the benefit out of it.

Mr. REUSS. I gather from this that among the suggestions you do not make is that the Illinois Central and other land-grant railroads return by some sort of user charge the present value of land grants?

Mr. MITTEN. No, sir. We returned the value that it was worth at the time we got it, and that is all we are asking that the inland waterways do.

Mr. JONES. Mr. Lipscomb.

Mr. LIPSCOMB. No questions.

Mr. JONES. Thank you very much, Mr. Mitten.

Mr. Charles T. Ames, manager of the Holly Springs, Miss., Municipal Electric System. We are glad to have you, Mr. Ames. You may proceed.

STATEMENT OF CHARLES T. AMES, MANAGER, ELECTRIC DEPARTMENT, CITY OF HOLLY SPRINGS, MISS.

Mr. AMES. I wish to identify myself as Charles T. Ames, manager of the electric department of the city of Holly Springs, Miss., and I wish to express my appreciation for this opportunity of appearing before your committee. I am appearing on behalf of my mayor and board of aldermen and also the Tennessee Valley Public Power Association, which is an organization in which nearly 90 percent of the 148 distributors of TVA power are members.

I am a graduate electrical engineer and for the past 10 years I have been the manager of the city of Holly Springs electric department.

Mr. JONES. What college did you graduate from?

Mr. AMES. Mississippi State College.

I am not in a position to argue the relative merits of the findings and recommendations of this body, but with your permission I wish to present a few facts as to how this great experiment in regional development by the Federal Government, with the cooperation of State and local agencies, has affected our section in north Mississippi.

Holly Springs (population 3,300) has owned and operated its own electric distribution system since the old gas-light days in 1898. It also owns and operates its own water and natural-gas distribution systems. The officials and private citizens of our community have always felt that it is a community's privilege to own and operate its own utilities if the people in the community so desire. We also feel that this same privilege can and should be exercised by a region as well when the people of that region desire this method of service.

With the cooperation of TVA and REA, as well as private investment firms, we have extended our electric distribution system until we now serve the people and communities in the greater part of two counties. These people and communities outside Holly Springs were afforded the benefits of central station electric service for the first time. Since World War II our systems' power requirements have increased at a rate which doubles every 5 years. This increase is typical throughout the Tennessee Valley region. Never has our community enjoyed such a stable economy or high standard of living.

Thousands of homes in rural areas and communities, throughout this great land of ours, would still be without electric power had it not been for TVA, REA, and other agencies of the Federal Government whose primary purpose was to make it possible for these people and communities, through cooperative effort, to obtain the benefits of the natural resources which God gave to this Nation and its people. I am quite familiar with the situation back in the early thirties as to who had electric service and what was expected of those who didn't have it but wanted it. It was not until those days that any effort was made to make it possible for people in rural areas to afford central station electric service.

TVA set out to prove the theory that low electric rates promote increased consumption and increased consumption makes possible low rates and at the same time electric pole-line design and construction methods were reexamined. I know about this, too, because I helped develop some of the basic design of low cost distribution lines at Tupelo, the first TVA city, and later at Chattanooga. Many of these original distribution-line specifications developed by TVA are common throughout the whole United States on both public and private systems. It was the competition and the much talked of free enterprise which forced the private utilities to reduce their rates and throw away their old pole-line specification book carrying the old high-priced type of construction year after year without change.

It now appears that due to the very fact that TVA's power operations have been such a success that a limit is being placed on the further growth and development of our area and this great region. The region which, not many years ago, was referred to as the "Nation's No. 1 economic problem" has now become the No. 1 target of the

private power interests. We are being accused of being subsidized by the taxpayers of the rest of the Nation in spite of the fact that the combined wholesale and distribution systems in this region are earning sufficient revenues to cover all operating and investment costs with a margin equivalent to the taxes paid by comparable private systems.

Regardless of this and other misleading arguments used by the private power interests, TVA's entire regional development program has been good for the people—all the people of our Nation—including the stockholders of the private utilities located nearest the TVA region.

My impression of the so-called Hoover Commission Report on Water Resources and Power is that a hand-picked group of private utility champions have spent nearly a half million dollars of the taxpayers' money gathering and publishing information to substantiate conclusions at which their Commission had already arrived, as evidenced by statements made by some of its members prior to any investigation—which conclusions are, to put it briefly, not in the public interest and are contrary to the will of the Congress as expressed over the past 40 to 50 years. As a representative of one of the power distributors having a part in the some $450 million invested in distribution facilities in the Tennessee Valley region alone, I urge you as Members of Congress to refuse to accept the recommendation in this Commission's report.

Mr. JONES. Thank you very much, Mr. Ames.

Mr. Reuss? Mr. Lipscomb?

(No response.)

Mr. JONES. Thank you, sir.

Mr. MITTEN. Mr. Chairman, may I interrupt a minute? In our exchange of our ideas I forgot to introduce some affidavits which have been submitted to me. I would like to file them for what they may be worth.

Mr. JONES. What is the substance of the affidavits?

Mr. MITTEN. Here is one made by a man named J. G. Threadgill. They are all gentlemen from Jackson, Tenn. He says that affiant believes that tolls should be imposed for the commercial use of inland waterways.

Mr. JONES. Are they all in substance supporting recommendation No. 8 of the Hoover Commission?

Mr. MITTEN. Yes, sir. For what they may be worth. We understand they are not available for cross-examination.

Mr. JONES. Very well, they will be received.

(The seven affidavits referred to are as follows:)

STATE OF TENNESSEE,
County of Madison:

Personally appeared before me, W. F. Johnsey, a notary public in and for the State and county aforesaid, J. G. Threadgill, with whom I am personally acquainted, and who, after being duly sworn according to law, deposes and says:

That affiant is a male, white resident of Jackson, Madison County, Tenn., age 62, engaged in the fertilizer business in said community and has been for 31 years.

That affiant is familiar with the recommendation contained in the recent Hoover committee report to the effect that tolls should be imposed for the commercial use of inland waterways.

Affiant believes that tolls should be imposed for the commercial use of inland waterways because all forms of transportation should pay their share of expense involved in maintaining of river channels or roadways. This should be a basic

requirement of all business and not a certain portion receiving special benefits from the taxpaying public.

This affidavit is executed by affiant to be filed in connection with the hearing scheduled at Memphis, Tenn., by the House Special Subcommittee on Water Resources and Power.

J. G. THREADGILL.

Sworn to and subscribed before me this 28th day of October 1955.

[SEAL] W. F. JOHNSEY, *Notary Public.*

My commission expires January 31, 1959.

STATE OF TENNESSEE,
County of Madison:

Personally appeared before me, T. D. Thompson, a notary public in and for the State and county aforesaid, D. A. McCutcheon, with whom I am personally acquainted, and who, after being duly sworn according to law, deposes and says:

That Affiant is president of Southern Supply Co.

That affiant is familiar with the recommendation contained in the recent Hoover Committee report to the effect that tolls should be imposed for the commercial use of inland waterways.

Affiant believes that tolls should be imposed for the commercial use of inland waterways because—

"I believe that each mode of transportation should pay its own way. The present method of river transportation enables river points to spread far beyond their reasonable trade areas due to subsidized waterway transportation."

This affidavit is executed by affiant to be filed in connection with the hearing scheduled at Memphis, Tenn., by the House Special Subcommittee on Water Resources and Power.

D. A. MCCUTCHEON.

Sworn to and subscribed before me this 31st day of October, 1955.

[SEAL] T. D. THOMPSON,
Notary Public.

My commission expires October 23, 1956.

STATE OF TENNESSEE,
County of Madison:

Personally appeared before me, O. L. Harris, a deputy county court clerk in and for the State and county aforesaid, Joe Gaffney, Jr., with whom I am personally acquainted, and who, after being duly sworn according to law, deposes and says:

That affiant is a male white resident of Jackson, Tenn., over 21 years of age, engaged as a wholesale distributor at Jackson, being the sole owner of J. & J. Distributing Co., and is a receiver of carload freight.

That affiant is familiar with the recommendation contained in the recent Hoover Committee report to the effect that tolls should be imposed for the commercial use of inland waterways.

Affiant believes that tolls should be imposed for the commercial use of inland waterways because they are now being provided free usage of a public channel, maintained by public funds, and that such users are thereby able to compete on a preferential basis with other competitive firms not receiving these benefits from the taxpayers' money.

This affidavit is executed by affiant to be filed in connection with the hearing scheduled at Memphis, Tenn., by the House Special Subcommittee on Water Resources and Power.

JOSEPH B. GAFFNEY, Jr.

Sworn to and subscribed before me this — day of November 1955.

[SEAL] O. L. HARRIS,
Deputy County Court Clerk.

My commission expires ———.

STATE OF TENNESSEE,
County of Madison:

Personally appeared before me, Mrs. Ethel B. Hicks, a notary public in and for the State and county aforesaid, Harris Brown, with whom I am personally acquainted, and who, after being duly sworn according to law, deposes and says:

That affiant is a male white engaged in newspaper business as managing editor.

That affiant is familiar with the recommendation contained in the recent Hoover Committee report to the effect that tolls should be imposed for the commercial use of inland waterways.

Affiant believes that tolls should be imposed for the commercial use of inland waterways because all forms of transportation should pay their share of expense involved in maintenance of river channels or roadways. This ought to be a basic requirement of all business and not a certain segment.

This affidavit is executed by affiant to be filed in connection with the hearing scheduled at Memphis, Tenn., by the House Special Subcommittee on Water Resources and Power.

HARRIS BROWN.

Sworn to and subscribed before me this 28th day of October, 1955.

[SEAL] MRS. ETHEL B. HICKS,
Notary Public.

My commission expires June 20, 1959.

STATE OF TENNESSEE,
County of Madison:

Personally appeared before me, Ray Lasley, a notary public in and for the State and county aforesaid, R. D. Conger, with whom I am personally acquainted, and who, after being duly sworn according to law, deposes and says:

That affiant is a male white citizen of Jackson, Madison County, Tenn., over 21 years of age, engaged in the lumber and supply business as a partner in the Conger-Parker Lumber Co.

That affiant is familiar with the recommendation contained in the recent Hoover Committee report to the effect that tolls should be imposed for the commercial use of inland waterways.

Affiant believes that tolls should be imposed for the commercial use of inland waterways because it will tend to equalize our buying position on heavy commodities with those firms located on the waterways who can now buy at cheaper prices and undersell us in our own trade area account freight difference. It is also a sound economic policy for our Government in curtailing expenses.

This affidavit is executed by affiant to be filed in connection with the hearing scheduled in Memphis, Tenn., by the House Special Subcommittee on Water Resources and Power.

R. D. CONGER.

Sworn to and subscribed before me this 1st day of November, 1955.

[SEAL] RAY LASLEY,
Notary Public.

My commission expires March 28, 1956.

STATE OF TENNESSEE,
County of Madison:

Personally appeared before me, F. A. McKinnie, a notary public in and for the State and county aforesaid, J. D. Parker, with whom I am personally acquainted, and who, after being duly sworn according to law, deposes and says:

That affiant is a male white citizen of Jackson, Madison County, Tenn., over 21 years of age and being a member of the firm of Conger-Parker Lumber & Supply Co., retail lumber business, located in Jackson, Tenn.

That affiant is familiar with the recommendation contained in the recent Hoover Committee report to the effect that tolls should be imposed for the commercial use of inland waterways.

Affiant believes that tolls should be imposed for the commercial use of inland waterways because all forms of transportation should pay their share of expense involved in maintaining of river channels or roadways. This should be a basic requirement of all business and not a certain portion receiving special benefits from the taxpaying public.

This affidavit is executed by affiant to be filed in connection with the hearing scheduled in Memphis, Tenn., by the House Special Subcommittee on Water Resources and Power.

J. D. PARKER.

Sworn to and subscribed before me this 1st day of November, 1955.

[SEAL] F. A. MCKINNIE,
Notary Public.

My commission expires January 14, 1958.

STATE OF TENNESSEE,
County of Madison:

Personally appeared before me, Robert J. Holt, Jr., a notary public in and for the State and county aforesaid, James N. Jones, with whom I am personally acquainted, and who, after being duly sworn according to law, deposes and says:

That affiant is James N. Jones, age 31, freight rate and traffic consulting business in Jackson, Tenn., with 12 years of experience.

That affiant is familiar with the recommendation contained in the recent Hoover committee report to the effect that tolls should be imposed for the commercial use of inland waterways.

Affiant believes that tolls should be imposed for the commercial use of inland waterways because these tolls would help pay the maintenance cost for operating our waterways. These tolls would make water carrier charges for transportation on a better competitive basis both for river points and inland points. We believe that each mode of transportation should pay its own way. With tolls charged, these water carriers should be able to pay the cost of maintaining the waterways as other carriers who are their competitors pay the costs of maintaining their individual operating and maintenance costs.

This affidavit is executed by affiant to be filed in connection with the hearing scheduled at Memphis, Tenn., by the House Special Subcommittee on Water Resources and Power.

JAMES N. JONES.

Sworn to and subscribed before me this 29th day of October 1955.

[SEAL] ROBERT J. HOLT, Jr.,
Notary Public.

My commission expires August 11, 1958.

Mr. JONES. Mr. Cale Haun, of Franklin, Tenn.?

(No response.)

Mr. JONES. Mr. W. E. McCourt, Jr., of Greenville, Miss. We are glad to have you, Mr. McCourt.

STATEMENT OF W. E. McCOURT, JR., GREENVILLE, MISS., SECRETARY-TREASURER, GREENVILLE GRAVEL CO. AND GREENVILLE DREDGING CO.

Mr. MCCOURT. Thank you.

My name is W. E. McCourt, Jr., of Greenville, Miss. I am secretary and treasurer of Greenville Gravel Co. and Greenville Dredging Co. Both of these companies are producers of Mississippi River sand and gravel. Our processing plant and shipping point is located at Greenville, Miss.

I would like to insert at this point, after hearing all of the statements in millions and billions of dollars, that I believe our plant is a very small one, but we wanted to offer this statement.

Mr. JONES. All right.

Mr. MCCOURT. We operate suction dredges, which obtain sand and gravel from the bed of the Mississippi River. This material is loaded on barges and towed to our plant at Greenville by our own towboat. After unloading from the barges the sand and gravel is processed at

our plant and loaded into railroad cars and trucks for shipment, or is stored on the ground in our storage yard for future shipment.

It is absolutely necessary that we use the Mississippi River to bring this material to our plant, as the gravel deposits in the Mississippi River are not located adjacent to our processing plant and shipping point. These deposits of sand and gravel are from 18 to 35 miles upstream from Greenville, hence the necessity of a large fleet of barges and a towboat.

It would be impossible to locate our shipping point closer to our source of supply, due to the fact that no rail facilities exist any closer than Greenville, and there are no roads leading from the main highways, either in Arkansas or Mississippi, that could be used to transport our material from its source to its destination. The main-line levees that parallel the river are, in some cases, several miles apart, and the land between them is known as bottom land. This land is not suitable for roads or rail facilities of any description, due to the overflowing of the river.

We respectfully reject the idea of a "user charge" being imposed upon those that operate on the inland waterways. Such a charge would be discriminating against our company and all other sand and gravel producers who obtain their material from the Mississippi River, as our competitors, who operate land plants, would not have this charge to pay.

We are the only sand and gravel plant operating on the Mississippi River with both rail and truck facilities, between Natchez, Miss., and Hickman, Ky., a distance of approximately 572 miles. Along this mileage our competitors, numbering 30 or more, who operate land plants, would have a distinct advantage in selling price if we were forced to pay a user charge and they were not.

I have discussed this matter with many prominent individuals and business firms throughout this section, and in not a single instance did I receive favorable comment toward any legislation that might be proposed to taxing the users of our inland waterways. The consensus of opinion was that any user charge or tax would naturally be passed on to the public, resulting in higher prices in both materials and transportation. Opinions were also expressed that the inland waterways must be maintained for national defense and flood control, and that a user charge made only to the users would be unfair.

We urgently request that your committee file a negative report on this proposed legislation.

I thank you for the opportunity of presenting our views in this matter.

Mr. JONES. Thank you very much, Mr. McCourt.

Are there any questions?

(No response.)

Mr. JONES. Thank you very much for coming and giving the committee the opportunity of having your views on the proposed user charge or toll.

That concludes the testimony for today. We will adjourn until 10 a. m. tomorrow. The subcommittee stands adjourned.

(Whereupon, at 4:05 p. m., the hearing was adjourned until 10 a. m. the following day.)

COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

(Water Resources and Power Report)

Part 6—Memphis, Tenn.

FRIDAY, NOVEMBER 4, 1955

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON WATER RESOURCES AND POWER
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Memphis, Tenn.

The special subcommittee met, pursuant to adjournment, in the Federal Courtroom, Post Office Building, Memphis, Tenn., at 10 a. m., Hon. Robert E. Jones, Jr. (chairman of the special subcommittee) presiding.

Members present: Representatives Robert E. Jones, Jr., and Glenard P. Lipscomb.

Also present: William C. Wise, staff director; William L. Sturdevant, staff member; and Robert Morris.

Mr. JONES. General Hardin, I wonder if you would come forward and let us discuss one or two matters with you.

FURTHER STATEMENT OF BRIG. GEN. JOHN R. HARDIN, UNITED STATES ARMY, DIVISION ENGINEER, LOWER MISSISSIPPI VALLEY DIVISION, CORPS OF ENGINEERS, AND PRESIDENT, MISSISSIPPI RIVER COMMISSION

General HARDIN. Yes, sir.

Mr. JONES. General, on yesterday we had evidence by way of testimony advocating the imposition of tolls as suggested by the Hoover Commission report. In an effort to try to determine if tolls were acceptable, as to how they could be applied, it was suggested by Mr. Cole that probably it would be best to apply them on each stream or each continuous project. I wonder if you would tell us how you would go about making any estimate or calculations as to what factors would be brought into play or into consideration for the purpose of determining a toll rate?

General HARDIN. Very well, sir.

Mr. Chairman, I must assume that your question is directed toward our arriving at a rate which would be in keeping with the recommendation of the Hoover Commission to reimburse the Government for maintenance and operation. I say that because if otherwise, if it were to be based on reimbursement of all costs, which would include

amortization of the original investment, or to put the various forms of transportation on a competing basis, that is, truly competing, then I think the problem is quite different in that we would have to take into consideration the matter of making rail rates as they apply to the waterway that is under consideration.

So, if I may, I will limit my comments to the proposals as they were submitted in recommendation No. 8 of the Hoover Commission report on reimbursing maintenance and operation costs.

Mr. JONES. Yes, sir.

General HARDIN. The problem in my division, the lower Mississippi River Valley division, in that connection is not an easy one to resolve. In the first place, even on the main stem of the Mississippi from New Orleans to St. Louis, which is the limit of my division, it is a variable one because maintenance and operation of that system varies. In the first place, in the lower river up to Baton Rouge we have a river that needs very little attention, and maintenance and operation is practically negligible. It is a deep water river.

Then coming upstream the problem of maintenance and operation increases as we proceed to the north where the river becomes smaller. Naturally, as you would expect in that reach between St. Louis and the mouth of the Ohio, the problem is quite different with respect to the costs involved per ton of movement.

Another thing that complicates the problem of arriving at a rate in the lower river is that there are harbor channels that have been developed to further utilize the availability of water transportation. Those harbor channels, of course, involve the expenditures for maintenance and operation. As a matter of fact, most of them are in the development stage. As an example, here in Memphis Harbor itself. Also the same situation is in existence in Natchez. The problem at Vicksburg, of course, now that we have authority to undertake the creation of a channel at Vicksburg, is also an example.

So, the traffic would move from north to south and we have, then, a problem in the river in this varying rate of expenditure. I mention it because if a tow is going only as far as Memphis it would appear that the share of that maintenance and operation to that point would result in a different rate from that going above.

On the main stem of the Mississippi also we have a problem in that it is difficult to divide what is truly an expenditure for maintenance of the navigation channel as opposed to maintenance of flood-control improvements. Both of them are so interlocked and they have been for a great many years that it is very difficult. As I mentioned yesterday, this project was initiated on the basis of navigation, but, nevertheless, the basic stabilization program in the river contributes both to navigation and flood control. How to divide the benefits of those improvements poses a serious problem. It might be equated on the basis of the benefit-cost ratio that could be arrived at as between the navigation features and the flood control features, but in any event it would be an arbitrary division.

The amount involved——

Mr. JONES. General, let me ask you this question:

The recommendation as I understand it, would impose a toll that would equalize the rates between the rail and waterborne traffic. The railroad people, in testifying, have that as one of their objectives, so

that they will not be at an economic disadvantage to compete with waterborne traffic.

How are you going to justify a project when you cannot anticipate what the freight rate will be 4 or 5 years from the time when you make your original estimate for an economic justification of the project?

General HARDIN. Mr. Chairman, we habitually analyze the economics of a project based on what the reasonable or going rail rate is. If the railroads choose to depress their rates in order to put the rail rate in a closer relationship with waterway costs or movement, then we feel that the Nation has benefited by that end, therefore, even though the railroads do reduce their rates maybe not a ton of movement would result on the river. Theoretically the benefit has been obtained by providing a lower rate for the movement of that commodity. I agree that it is an uncertain thing as to the opportunity for a waterway operator to face that situation. He may find after he puts his investment into expensive equipment that the rail rates will be depressed to a point where he has lost the opportunity to move that commodity, and would jeopardize his business.

As long as the railroads can modify their rates, and not on a truly cost basis but on a basis of selecting a competitive rate, of course an operator is put in a serious position, that is, a waterway operator.

As far as evaluating a project goes, which I believe is your question, we evaluate it on the basis of what a reasonable rate is, and the going rate that is in existence at the time when the project is being considered.

Mr. JONES. If you would go as far as Mr. Cole suggested, that is, that amortization be made a part of the toll rate, how would you compute a rate on some of these old projects?

General HARDIN. That would pose an almost impossible problem to resolve, Mr. Chairman, when you consider that the expenditures have been made on this river for over a century for one purpose or another, mostly in the interests of navigation, and it would pose a very serious problem to arrive at an amount to be amortized.

If you selected the expenditures within the last 50 years, which is our normal basis for amortizing a project of this nature, that would be one approach to it. We always assume that the project has a life of 50 years. But if the approach is used of amortizing the cost of the improvement on the waterway to make it a more competitive propotion with other forms of transportation, then, by the same token, the actual cost of the movement by those other means should also be arrived at rather than a rate which does not reflect the true cost of that movement.

Mr. JONES. But if you take the amortization and also the maintenance and operation costs, the only thing that the Government would be doing would be making an original capital investment; so that if the capital investment was a good thing for the Government, it would be a good thing for the water carriers. So that the best thing we could suggest if we pursued it that far is to take the Federal Government out of the navigation business and let the operators construct and maintain their own waterways. Would that not be the end result of it?

General HARDIN. Well, that could be the end result. The waterways of the Nation, though, are hardly comparable to other forms of transportation available to the Nation. A river is in a certain definite fixed place. The roads or railroads have a great deal of flexibility as

to where they go. To open a river which is a natural resource to the development of private water transportation is unthinkable as far as I can see it, simply because the problem is too great for any group of investors.

Mr. JONES. The thing about it is that if the Federal Government does it, it is going to bring some injury to the railroads, and so, rather than to bring injury, just write the navigation features off and let them stand still and not do anything.

General HARDIN. Mr. Chairman, I cannot accept the proposition, as an individual or as the division engineer of this region, that the railroads and the waterways are truly in competition. I feel that the waterways in this area are not for the purpose of competing with railroads. I think it can be easily demonstrated that the kind of traffic that moves on the waterways in great bulk is not the kind of traffic that would move on the railroads, either in the class of movement or in the quantity.

Mr. JONES. General, in your experience in the Corps of Engineers in the examination of projects and in testimony before congressional committees, have you ever known the railroads of this country to advocate that Congress invest in a navigation project? If you do, name one.

General HARDIN. Yes, sir. I think I can cite an example that was just rather recent where the railroads have taken a position favoring an improvement. That is this tidewater channel which is proposed and is up for consideration in the Congress at this session again at New Orleans for the development of a tidewater port.

As a matter of fact, the railroad interests advocated that development as a necessary adjunct to the port development of New Orleans as the Nation's port.

Mr. JONES. Can you give us other examples?

General HARDIN. No, sir, I cannot. Nothing comes to my mind at the moment.

Mr. JONES. Well, I have been on this committee for not too long, but I have been on the Flood Control Subcommittee of the Public Works Committee of the House for 9 years and I have seen them in opposition to all of the navigation projects; and I have never seen them in favor of one unless it escapes my mind at the moment. I do not recall the railroads favoring navigation. Even though you might have an argument to satisfy your own mind about a navigation project being an aid and an economic factor in the growth of the railroads, they have not been able to accept that as a fact. I do not recall it at any rate.

Yesterday when one of the witnesses, Mr. Mitten, who was representing the Illinois Central Railroad, testified, I recalled, that Mr. Markham, president of the Illinois Central at one time, did advocate that we construct navigation features. He went on to say in substance that every time we developed the waterways of this country we also developed traffic to be handled either by prehandling or rehandling of rail movements. But, outside of him I do not know of anyone in the railroad industry who has been able to accept that idea.

General HARDIN. Well, Mr. Chairman, I feel that the movements on the Mississippi River are of a nature and a character in respect to the product moved and in the volume of its movement, that if it were not for those water-transportation facilities that amount of material, or that kind of material would just not move. It would not be economi-

cally feasible to move it. Therefore, it would have an effect on the dynamic development of the economy of this region.

I can cite two instances of that. I do not think that automobiles would be using the amount of gasoline they do if it were not for the participation of waterway carriers in the distribution of gasoline to users of petroleum products in this country. We might face rates for gasoline that would be more comparable to what you have to pay for it in Europe. On the other hand, this is a situation that has just developed on the river where a special type of equipment can meet a need of moving liquid sulfur in a heated condition in large barges, insulated, and which can move that liquid material from Port Sulphur down below New Orleans and up to St. Louis. It saves large amounts of rehandling and loading because it can be pumped in and pumped out of the insulated barges.

Well, it is inconceivable that any other form of transportation could duplicate that type of equipment.

Mr. LIPSCOMB. May I ask a question there, Mr. Chairman?

Mr. JONES. Mr. Lipscomb.

Mr. LIPSCOMB. General, what is the theory? Just filling this question out, why should the Federal Government, for instance, invest in navigation facilities and pay the operation and maintenance costs to carry that material from one point to another without these people who use that equipment having to pay a small user charge to cover some of the costs?

General HARDIN. What is the purpose of the user charge, I might ask in return, Mr. Lipscomb? If it is for the purpose of returning the maintenance and operation costs, that is one thing. But it is another thing if it is seeking a competitive base for all forms of transportation. I am trying to keep the two things clear in my reply.

If it is just for the purpose of reimbursing for the nominal charges of maintenance and operation, then movement by water such as I have indicated, as an example, in my opinion, is a special form of movement to take advantage of a condition or, rather, a natural resource that has been provided for us. It goes through a number of States. The maintenance and operation of that facility is of such a magnitude that it is not conceivable to me it could be handled on any local basis and it puts the improvement into the Federal category.

If you accept the idea that it is in the Federal category the next element of the question is why should they not pay for the maintenance and operation? I agree that that is a question of policy. I can only indicate that the problem there is of arriving at a suitable rate—the problem of administering it—the cost of administering a complex thing of that kind. Because any time that moneys are collected in public service, as you well know, there have to be exhaustive checks and balances, and inspections, and whatnot that go along with it. How much of it would be represented in going to the Treasury is a question. How much of it would be made work in collecting it is a question. Those things, while I think they are subject to being answered, all do come into consideration in the problem.

If I may just go one step further, our position that the Government does not lose by permitting carriers to use these resources which have been provided at Federal expense, is that these savings are distributed widely. Practically any of these commodities which are moving on the river here in great bulk have a wide distribution. Either that

or they are used for a multitude of purposes and a multitude of end products. It is the theory, right or wrong, that the public benefits in the end result by paying less for a commodity that participates in the utilization of this mass movement of materials by water transportation.

Mr. LIPSCOMB. Take the highways in California, where the Federal Government contributes to them. By taking vegetables from the Sacramento Valley down to the Los Angeles area, the truckers who use those highways pay a Federal tax on gasoline which is in effect a user charge for the use of those highways. If we did away with the Federal tax on gasoline the consumers of those vegetables in Los Angels could get them cheaper.

What is the difference between the theory of a user's charge to cover the operation and maintenance, or charges to cover some of the expense of the waterways and the theory of collecting from the trucks that are using the highways? What is the difference in philosophy there?

General HARDIN. Maybe it is traditional, Mr. Lipscomb, as much as anything. In theory, though, when you move something by a land type of transportation you are not confined to one route as you are when you are using water transportation.

Mr. JONES. General, may I ask you a question following out what Mr. Lipscomb inquired about?

The Federal excise taxes on gasoline are not imposed for the purpose of equalizing transportation opportunities among the various people engaged in transportation, are they?

Mr. LIPSCOMB. Mr. Chairman, the general has broken down his thinking into two parts. General, what you said is that perhaps you should divide your thinking into these two parts. One theory of user charges was to cover the operation and maintenance cost, and the other theoretical purpose of user charges was equalization of rates. Was that your analysis?

General HARDIN. That was my approach to this problem.

Mr. LIPSCOMB. So the question you asked, Mr. Chairman, brought him back to the other part of his thinking. I was trying to see the theory behind the user charge as reimbursement of operation and maintenance costs and not particularly as it concerns the competitive features of transportation.

General HARDIN. The question might also be asked of why it should go just to operation and maintenance. If it is to be a user charge levy, what is the tax on a motor vehicle in California to do? Is it to represent just maintenance and operation or is it for capital charges as well?

Mr. LIPSCOMB. Principally it is to build highways, I would believe; but it goes into the general fund and then the Congress allocates the money to build more highways.

On waterways, in my thinking, the Government, and even the Hoover Commission recognizes the need for flood control and navigation as a national problem and as being in the national interest. But what we are talking about, at least in my thinking, has been operation and maintenance, that is, a charge not to cover capital costs but to cover operation and maintenance of the waterway.

General HARDIN. To be quite specific, Mr. Lipscomb, I do not believe I can answer your question on the basis of why it would appear

to be appropriate to collect taxes on motor vehicles and not on operation and maintenance of the waterways in this region.

Mr. LIPSCOMB. For instance, is it without reason to believe that it would be possible—and this is just theoretical—to put a tax on the fuel that the users of the waterways put into their barges, and then to just turn that into the Federal Treasury? It might not cover the whole operation and maintenance. It might cover it insufficiently. But just put a tax on the fuel they are using, for the purpose of maintaining the waterways.

That is not a fair question for you to answer, but I was just making that as an observation.

General HARDIN. I have never thought of it in that light. I do not know just how it could be controlled, because at the same time that fuel is used for purposes other than the movement of barges. The places where they would buy it or pay the tax may pose problems. I really could not say. It has not occurred to me as being something that would be practical to do, although it may be. I just do not know how the waterway operators obtain their fuel as a source.

Mr. JONES. It is always difficult, General, when you begin to deal with comparative analyses to come out with any product in the end that is very satisfactory; is it not?

General HARDIN. Yes, sir; but I may be narrow in my views in looking at the problem down here in the lower valley. It may be different in other parts of the country. I would like to point out that the problem of arriving at an appropriate rate is different from some other things. We are really not stabilized down here in that our channels are being constantly improved as a part of this overall development. What the future holds in this regard to the operator I can see poses a serious problem. When he invests large sums in modern towing equipment—and only modern towing equipment is able to compete—the $1 million or $2 million that he invests for this special type of equipment has to be invested with a feeling that the future holds a certain amount of assurance for him. We have no doubt in our analysis of the problem that the Government is benefiting by the movement of bulk commodities by water so far as the benefit-cost ratio is concerned. But the competitive position that the waterway operator finds himself in in this area I think is one that causes him justifiably some concern. We are experiencing it right now on the Ouachita River. That project as you know has long been on the marginal side. Operators are loath to invest money for that project when competition by rail is so uncertain in that rail can set rates which will make it noncompetitive for the waterway operator to go in business on that project.

The uncertainty in the future, as far as these waterways go in charging operation and maintenance, is not in my opinion a serious one from the standpoint of its getting larger. I think in time they will become smaller due to the fact that the river is being improved and the rates should decrease. There will be less charges for us, if you are thinking in terms of operation and maintenance alone, to keep navigation moving on the river.

The methods of collection of a user charge, as mentioned by Mr. Lipscomb, poses some problems in this area on account of the interchange between the Gulf Intracoastal Waterway system and other

critical points on the river, depending upon their destination. It may be, as has been proposed, that self-imposition of the charges would be the solution, although it would have to be policed, I presume, like any other system of voluntary payments such as income taxes and the like. But if it was to be on a physical collection basis, as has been proposed, such as truly collecting tolls from place to place, it would impose a very great burden on whatever agency is designated to collect it. The cost of any system of that kind would, of course, depend as I see the problem, on the degree of inspection and checks that are involved.

The amount of the operation and maintenance charges on the Mississippi River between the mouth of the Ohio and Baton Rouge, for the last 5 years, taking into consideration just those things which are directly attributable to navigation, such as dredging across the obstructive bars, and the buoyage costs and channel inspection costs and overhead, add up to a figure running up to between $3,700,000 in the lowest year of 1951, and in the last year, 1955, it was $4,662,000.

Applied to the respective ton-miles that have traveled over that reach of the river, then that ends up in a maintenance cost per ton-mile of between 0.0036 for 1951 and remains fairly constant through the 5 years to 0.0037. I am speaking in dollars here. In terms of mills it would be 0.4 of a mill, approximately, or less, per ton-mile.

That situation is approximately the same on the Gulf Intracoastal Waterway where, approaching it on a similar basis, in 1954 the maintenance costs per ton-mile would figure out at approximately a half a mill per ton-mile.

On the Mississippi River between the Missouri River and the Ohio River it is about 0.7 of a mill per ton-mile.

Mr. JONES. Mr. Lipscomb.

Mr. LIPSCOMB. General, in the Hoover Commission's report they say that today the nature of the traffic over the inland waterway has shifted to bulk traffic such as oil, coal, and ore. Is that a factual statement?

General HARDIN. Yes, sir. The commodities which are moving on the Mississippi River, for instance, between St. Louis and Cairo, and on down to New Orleans, are almost without exception bulk commodities. As the commercial statistics which we publish each year will indicate, the predominant one is petroleum and petroleum products; the next one in magnitude would be materials such as sulfur and chemicals. That would be in the next order of magnitude. The chemical movements are increasing each year both ways. Then steel and iron products, grains, sugar, and molasses in bulk for stock feed; food products of one type or another, which are not classified. There is still a considerable movement of forest products and paper, as well as coal and coke and ores of various categories in the lower reaches of the river, and also bauxite.

Mr. LIPSCOMB. Thank you, sir.

Mr. JONES. Thank you again for coming back this morning, General. I thought that we should have some discussion as to how tolls could be estimated.

Stanton E. Smith, of Chattanooga, Tenn., president of the Tennessee Federation of Labor.

STATEMENT OF STANTON E. SMITH, PRESIDENT, TENNESSEE FEDERATION OF LABOR, CHATTANOOGA, TENN.

Mr. SMITH. Mr. Chairman, and gentlemen of the committee, I appreciate the opportunity of appearing here. The remarks which I would like to address to the committee are concerned primarily with the TVA and that development, rather than the problem which you have just been discussing. However, it was impossible for me to be at one of your earlier hearings where I understand that subject was previously discussed.

I am appearing here in my capacity as president of the Tennessee Federation of Labor, and by authority of that organization to present our views regarding the proper role of the Federal Government in the utilization of the water resources of our Nation and the development of electrical energy in connection therewith.

It is our view that the Tennessee Valley Authority represents the most comprehensive and well conceived plan for the integrated development of all the resources of a river basin for the benefit of all the people that has yet been devised. By bringing the sometimes wild and the destructive Tennessee River under control, the Tennessee Valley Authority has alleviated flood damages, provided for navigation, and produced great quantities of electrical energy, all to the benefit of the entire Nation.

A necessary corollary to these functions has been the control of erosion and the prevention of silting of reservoirs through reforestation and development of farming practices including the development of new methods of producing cheap fertilizers.

Incidental to all of this has been the creation of the vast recreational opportunities which are enjoyed by citizens from all parts of the country. Although the electric power phase of the Tennessee Valley Authority program receives the most attention in terms of publicity, the Tennessee Valley Authority concept embraces much more than electric power. It is, in fact, an integrated plan of development of all the resources of a river basin for the benefit of all the people. In many ways the electric power program has been the most spectacular part of TVA's activities. Certainly it has been the most controversial.

Organized labor's chief interest in any program is what it does to benefit people in terms of their standard of living and in terms of their general welfare. In this connection, a few figures may serve to illustrate some of the effects of the electric power program.

In 1933 there were 255,000 electric customers in the valley; in 1953, 20 years later, this number had increased to 1,300,000.

The average use per home and farm consumer in 1933 was 600 kilowatt-hours. In 1953 this figure had gone up to 4,292 kilowatt-hours. That is against a national average of 2,345 kilowatt-hours. Meanwhile the average costs had dropped from 5.7 cents to 1.3 cents per kilowatt-hour.

In 1933 there were 1,000 miles of rural lines. In 1953 there were 100,000 miles of rural lines.

The number of electrified farms increased in this period from 15,000 to 423,000.

Now translated into terms of people's welfare, the foregoing figures spell out a literal revolution in the way of living of thousands upon

thousands of citizens on farms and in small homes throughout the valley. It is to this kind of program that the Tennessee Federation of labor is proud to give its support. It is a pattern that may well be followed in the development of the resources of our other great river basins in our Nation.

It has often and loudly been charged by private power interests that the low rates charged for electricity by TVA and distributors of TVA power are made possible by Federal subsidies. It is true that the Federal Government throughout its history has subsidized various enterprises in various ways, including such devices as second-class mailing privileges for publishers; land grants to railroads in the early years of their development; and subsidies to shipping and airlines, as well as fast writeoffs to private power companies and other similar examples.

However, we specifically deny that TVA power rates are subsidized. Not only are the power rates not subsidized but the direct and indirect benefits accruing from the overall TVA program makes TVA an extremely valuable national asset and an investment which will continue to bear fruit if the present efforts to hamstring TVA are not successful.

We wish to cite the following facts to substantiate our position that the TVA power rates are not subsidized. First, the entire allocated cost of the power facilities for which the Federal Government has advanced money, is being amortized over a 40-year period out of the receipts of the sale of power.

I want to emphasize that at the end of that time the United States Government will still own the power facilities and will continue to receive net proceeds from the sale of power. This is in distinct contrast to the situation under private power operation. If a privately owned power company should, contrary to the usual practice, retire the bonds by which it financed its capital construction, it would no longer continue to make payments to the bondholders, nor would the bondholders continue to have claims against the physical holdings of the company.

The effect of this is in contrast to a subsidy. In fact, it is a subsidy in reverse where by this process the people of the Tennessee Valley are providing the Federal Government with valuable electrical production and transmission facilities, the total cost of which will be paid by the people of the valley and, having paid for them, they will then continue to provide the Federal Government with substantial profits annually.

We should like to point out also that one-quarter of the TVA's reservoir power facilities have been financed from earnings from the power sales—a direct investment by the people in the valley through their electric bills.

Furthermore, continued payment of net earnings into the general fund of the Treasury by TVA after amortization of the cost of power facilities will in time return the entire Federal investment in all of TVA's facilities and not just the power facilities.

This is to disregard other benefits which flow from TVA's program and which are translatable into dollars. Examples of these benefits are as follows:

Flood damage savings $11 million annually it has been estimated.

Savings to shippers, $10 million.

Purchase of electric appliances—and most of these have been purchased outside of the valley—$200 million annually.

Another benefit, and perhaps the most important of all, is the saving in electric bills to the consumers of electricity. I do not have figures for the entire valley but I do have them for the city of Chattanooga, which happens to be my home. In the 13 years and 10½ months of operation ending with the fiscal year June 30, 1953, the total savings to electric consumers in Chattanooga under the public or municipally owned distribution system, amounted to $76,387,260. These figures are a year old and you can add about $12 million to that to bring it up to date.

For the fiscal year 1953 alone the amount was $11,970,180. These figures are based on the average rate per kilowatt-hour in 1938, which was the last full year of private operation of the electric utility in that city.

Chattanooga uses approximately 6 percent of TVA's power, which gives you some idea of the tremendous saving that occurred from the expanded sale of electricity at reasonable rates. If the savings to Chattanooga power users are only one-tenth of the total, then the total savings in the valley would be about $760 million in the past 14 years, or about the total amount of the TVA power investment.

I should also like to suggest another approach to the problem of measuring benefits to the Nation from TVA. Per capita income in the area has risen from $163, which was 44 percent of the national average in 1933, to $1,005, which was 61 percent of the national average in 1952.

In 1933 the valley States paid 3.4 percent of the national income tax. In 1952 this figure had risen to 6.24 percent of the national income tax.

Translated into dollars, this means in the period from 1933 to 1952 income taxes collected from the valley States would have been a little over $7 billion had the percentage of 3.4 remained unchanged. However, it grew under the stimulus of TVA and the released energies of the people, to the figure of $12.6 billion for that period. This means that the Federal Government has received more than $5 billion in additional income taxes which would not have been received but for the growth and development of the valley at a greater rate than for the Nation as a whole. This single item is several times the total appropriations to TVA for all purposes.

An underdeveloped region has been made to bloom and prosper to the benefit of the entire Nation. This is the kind of investment Uncle Sam can well afford to make in all sections of the country. Similar increases in trade activity, I feel, will in fact mean lower taxes percentagewise as related to income for all of us.

I would like to say a few words about this business of creeping socialism. Maybe there is truth to the charge that TVA represents a socialistic concept. There is no truth to the charge that it is creeping. Even its bitterest enemies concede its efficiency, its good management, and its ability to produce results with expedition and speed. TVA is socialistic in exactly the same way that our public schools are socialistic, or our sewer systems, fire departments, public highways, or publicly owned water systems. Indeed, one of the chief arguments used by the opponents of public schools in the early days was the same charge of socialism.

The error in thinking which leads to this pointless charge of socialism as applied to TVA lies in the assumption that privately owned power companies are examples of private competitive business enterprise. These privately owned power companies are in the nature of natural monopolies operating under franchise of the public with profits practically guaranteed by so-called State regulatory bodies or commissions. They have no competition except public-power operations which stand as a constant reminder to them that the people can produce and distribute their own electric power at rates which will make the benefits of electricity widely available.

In the final analysis, the rivers belong to the people, and the people have a right to use them for their own benefit. When exploitation by private interests of our rivers or any other natural God-given resource passes reasonable limits the people both can and will take from the private exploiters the franchises which the people gave in the first place. In this sense TVA is socialism, the kind of socialism the American people have never hesitated to use when the public welfare required it.

Let me say that the interest of the Tennessee Federation of Labor in the whole question of the use of our water resources and power is premised on the welfare of the people. We believe these resources should be so used as to produce maximum benefits to the people by raising their standard of living; by easing the burdens at home and on the job, be it on the farm or in a factory; and by pointing the way to a brighter future. We believe TVA has been and is doing this, and it should be continued and expanded, and that the concept should be extended to other areas.

Much of what I have said here today I said to the Task Force on Water Resources and Power of the Hoover Commission in June 1954. I hope that this committee will be more impressed than the task force evidently was, for their recommendations for a Federal water-resources policy would not only stop the expansion of such a program as TVA's but would dismember and destroy TVA.

The natural question is why? I think I know the answer to that question. With due respect to the opinions of those who sincerely oppose the TVA idea and the public ownership of public-power utilities, I believe this committee will find if it digs deeply enough in the right places that the answer lies in the outstanding success of TVA and the consequent embarrassment it affords the privately owned public utilities with its constant reminder to the people that electric power can be distributed and produced at profitable rates far below those which the privately owned electric utilities charge.

Public-power operation in the Tennesse Valley has demonstrated the enormous profits inherent in the electric-power business when it is operated primarily for profit rather than for service. When a single city in a service area of a quarter of a million people can save in its electric costs about $12 million each year in electric bills, and still have enough margin to finance all of the additions and extensions to its distribution system out of earnings, the rich prize that is at stake begins to come into focus.

Finally, I should like to point out one other factor. Water in and of itself is rapidly becoming a problem of paramount importance to the national welfare. I am not referring to flood control, or power,

or navigation, but, rather, to water as a basic human need for drinking, for household use, and for industrial uses.

If the storage reservoirs were constructed to provide water for these purposes, over and above the water needed for navigation and power, as indeed they must if future needs are to be met, the addition of this fourth factor in the allocation of costs for dam construction might render feasible many dams which otherwise might be considered uneconomic. It is this factor which cannot be ignored as it was by the Hoover Commission in the formulation of any sound national water resources and power policy which will meet the imperative needs of the national welfare.

Mr. JONES. Thank you very much, Mr. Smith.

Mr. LIPSCOMB. I believe your statement was directed at the power section of the Hoover Commission report.

Mr. SMITH. Primarily, yes.

Mr. LIPSCOMB. Recommendations 9 through 15. Do you have any criticism or suggestions as to recommendations 1 through 8 of the Hoover Commission report?

Mr. SMITH. As to recommendation No. 1, as I recall it, it consisted of a number of parts.

Mr. LIPSCOMB. They all have to do with a national water policy.

Mr. SMITH. They were stated in generalities which I think were susceptible of a number of interpretations. It is not too clear what they meant by that. But the other specific recommendations dealing with these other factors, I do not know that I have any particular comment to make on. Our concern, speaking for the organization I represent, is with this idea or concept of the integrated development of a river basin or valley, which is composed of many factors. Did you have any specific ones of those that you had in mind?

Mr. LIPCOMB. I suppose your organization agrees we need a national water policy for our Nation.

Mr. SMITH. Well, it may be that we need to reformulate it and restate it. We have had a policy in one form or another, or at least we have certainly taken action in the field. We think that the TVA concept points the way to the right kind of a waterpower policy—a water resource and power policy which is not complete in itself. There are other factors. The irrigation factor, for example, is not a primary factor in this valley. Or, unlike the section of the country where you come from, at times we have more water than we need and it creates floods. Other sections have a shortage of water and their problem is a little different and we are really not qualified to express an opinion on it because it is one we do not have to deal with primarily.

Mr. LIPSCOMB. I believe in your statement you recommended that the TVA-type of installation should be considered for other parts of the country.

Mr. SMITH. That is correct, yes.

Mr. LIPSCOMB. How do you and your organization propose to do that in the face of trying to reduce taxes, balance the budget, and reduce the national debt, which your organization is for, I am sure?

Mr. SMITH. Well, we would like taxes at the lowest point possible, of course.

Mr. LIPSCOMB. But how can we go in and contribute Federal funds at all of these levels and still accomplish our objective in the way of tax reduction and budget reduction, and all of the rest of those things?

Mr. SMITH. I would say that the problem of tax reduction cannot be considered as an isolated problem. It must be related to the other problems. As I tried to indicate in the statement which I made, sometimes the savings in other ways will far outweigh the savings in taxes. In the final analysis if I can save $100 on a power bill as opposed to a proposed $25 saving in taxes, I will take the saving in the form of the power bill. It means the same to me economically. But it means more to me to save $100 in that way than to save $25 in taxes. So it is not necessarily the tax reduction that we have to look at. These are actually investment of Federal funds which we are talking about.

In the integrated development of a river basin you have an investment of funds which pays off in terms of the benefits derived from it far and above the amount of investment in it.

Mr. LIPSCOMB. Of course we have the problem of the initial outlay. Do you suggest the sale of bonds in order to get the necessary money to invest in these projects?

Mr. SMITH. Well, that has been proposed and TVA, I believe, has formulated some self-financing proposals, or a series of them, which are due for consideration by Congress. Sometimes, of course, to meet a problem of that kind it is necessary to adopt a practical approach to meet certain practical problems, but in theory it seems to me that there is no sound reason why the Federal Government should not get its money where it can get it the cheapest, which is its own money, in other words, rather than borrowing and paying interest on that. If the Federal Government is going to make an investment it ought to get its money like any prudent business could, from that place where it can get it at the lowest cost. There may be practical reasons why TVA should be put on a self-financing basis, such as the issuance of bonds, or some other device as a means of taking it out of the area of annual budget conflict. We feel if properly financed in that way it could carry its own weight without difficulty.

Mr. LIPSCOMB. Of course, any time we make an investment today the Federal Government has to borrow the money to make the investment and we have to pay interest on the national debt.

Mr. SMITH. That is right.

Mr. LIPSCOMB. So the financing today is a very interesting problem.

Mr. SMITH. It is a difficult problem and it is not easy, but the TVA is paying back that investment, of course.

Mr. LIPSCOMB. I am also interested in whether you believe some of these things should be participated in on a partnership basis with the local, State, and Federal Governments.

Mr. SMITH. I do not quite see the feasibility although I am not quite clear as to what you might mean by the term "partnership" in what is essentially a regional development. The Tennessee Valley or the Tennessee River Basin actually embraces parts of 7 States, I believe it is. When it comes to questions of State compacts, and things of that kind, I believe experience of the past where that device has been tried in some of the river developments, indicates a number of rather difficult questions which have to be answered before you ever get to a solution of your problems. In some cases they have been wrangling over them for over 30 years or more. When more than one State is involved then each State has a certain element of sovereignty and you have to have unanimous agreement of the States, which is not

always easy to get. The answer I would give to your question is "No." In this type of development—there may be other fields in which this question would not apply—but on this type of development where you are seeking integrated development of the resources of an entire river basin, it is properly a Federal responsibility and can be discharged most economically and most efficiently in that way.

Furthermore, it gets away from the centralized policy idea which seems to frighten a lot of people; because the TVA, as an example, is managed by a board situated in the valley and responsible for that particular development. If other river basins were developed in the same way, with similar boards, you would have a decentralized administration, of course.

The policies in the Columbia River Authority, if one were established, would not necessarily parallel completely those which have been adopted by TVA but, rather, I think, they would draw on the experience of TVA to improve and to adjust to the peculiar problems of that region. Likewise, with other river basins.

Mr. LIPSCOMB. You are not suggesting that we should have in our Nation just public power operations?

Mr. SMITH. No; I am not suggesting that, but I think in the great river basins that that is a proper and sound approach. There is plenty of room for privately owned public power also.

Mr. LIPSCOMB. Why in your statement, when you were discussing this, did you talk about public power operations and private power monopoly? Why do you distinguish between them like that?

Mr. SMITH. Well, the electric utility business is in the nature of a monopoly. You have very little of any genuine direct competition between two electric companies trying to sell electricity to the same community.

Mr. LIPSCOMB. Is not the TVA a monopoly in Tennessee?

Mr. SMITH. Certainly. Monopoly is not in and of itself bad.

Mr. LIPSCOMB. I noticed in your statement you distinguished between a public power operation and a private power monopoly.

Mr. SMITH. That was not the distinction I was trying to make. What I was trying to do was to show the electric utility business, by the nature of it, is a monopoly and has no competition except the yardstick competition of a public power monopoly, if you wish to call it that, which is set up to furnish this yardstick by which you can measure the privately owned public-utility operation.

It is not like two businesses competing to sell to the same customer where you have competition of that type, which is the normal type of private enterprise. But you have a business the economics of which require that it be a monopoly. So it is good to have a check on it. We found that the State regulatory bodies were not adequate properly to regulate those monopolies. But, by the demonstration through such agencies as TVA that electric power can be generated and transmitted and distributed at a cost which is a fraction of what the private public utility companies charge, and still carry its own weight and still pay its own way, that is a demonstration to the people that it can be done, and they are not going to put up with high rates when they see they can get low rates through public operation; so it is competitive in that sense.

Furthermore, when you sell electricity at a low rate, experience shows that the use of electricity goes up dramatically. There is a

direct relationship between the quantity of electricity which people use and the price of it. There is a very direct relationship. What you do with the low-cost power is to make it possible for people to do things electrically which they cannot do when the rates are high. It contributes to the way of life and to the ease of living. All you have to do is to look at some of the electrified farms in the valley or in the hills.

I know one of the classic examples they used to cite in the early days of TVA. As you drive through the mountains of east Tennessee, quite in contrast to here, they have a little rustic cabin on the side of a hill. They did not have room inside for an electric washing machine, so they added a porch onto it and put the washing machine on the porch. They had an electric wire running in there and a meter and a washing machine on the front porch of that little one-room cabin. That was a tremendous change in the life of the woman of that house.

Mr. LIPSCOMB. Of course that had been happening in areas where there are private power operations also.

Mr. SMITH. Yes, but I do not think in quite the same proportion. Of course you have the REA developments.

Mr. LIPSCOMB. Over the period of the last 20 years the technological developments in power, in electrical power, have helped as well in public power as it has in private power.

Mr. SMITH. I think that is true.

Mr. LIPSCOMB. As well as the development of TVA. It has been a development in electric energy which has benefited all of the Nation.

Mr. SMITH. But if you take the map showing the power rates and look at the centers where you have the big, public power developments and examine the rates as you go out from those centers, you see a constant increase in that rate and a constant decrease in the amount of electricity used.

Mr. LIPSCOMB. Where I come from we have a municipal system, probably one of the great ones, and right next door to us we have a private utility system which operates together in partnership practically, drawing their power from the same place.

Mr. SMITH. That goes on, certainly. The privately owned utilities which surround TVA have lower rates than the ones further away, which is I think directly atributable to the lower rates of TVA. Strangely enough they have made more money with those low rates than they made under the higher rates which they formerly charged and which others are still charging in other places. Of course, the technological advances in the electric utility industry have been tremendous in the last 20 years as is demonstrated by the fact that although the price of almost everything else has gone up tremendously, the cost of power has not, even in those areas which are not of the public power areas.

Mr. LIPSCOMB. Even natural gas has gone down in price.

Mr. SMITH. Yes, and I hope it will stay down. I am not sure.

Mr. LIPSCOMB. Thank you.

Mr. JONES. Mr. Smith, earlier in your statement you talked about the subsidies that were charged to TVA and the people who live in the service area of TVA. Let me call your attention to the fact that a little better than 50 percent of all the energy generated by TVA is going into the atomic energy plants, into the wind tunnel, the Redstone Arsenal, and several smaller defense plants, either Atomic

Energy Commission or Department of the Army, or Air Force installations in the service area. Thirty-nine percent of the electricity is going to the municipalities and other co-ops. Two percent of the electricity is going to the surrounding utilities, or utilities in the contiguous areas to TVA. The rest is going to contracts, that is, the remainder is going to contract purchasers mostly in the aluminum industry, which is Alcoa and Reynolds.

The increased cost of electricity by as much as one mill would mean an increased bill to the taxpayers of this country of $50 million a year.

Who is the greatest recipient of these subsidies? The users of electricity or the taxpayers of the country?

Mr. SMITH. Well, it seems to me that actually the taxpayers of the country benefit; it seems to me that the Nation as a whole benefits by this program.

Mr. JONES. If the recommendations of the Hoover Commission were to be placed into force and effect it would not only increase the price of energy to these 39 percent of the power users, but the greatest increase in cost would fall on the taxpayers who are footing the bill for this atomic energy work and the related defense work.

Mr. SMITH. If I remember recommendation No. 9 correctly—and I believe it is No. 9—it would substitute the present method used by TVA for the determination of wholesale power rates, which is based on the cost of producing the power, and it would substitute a measuring stick of the cost of the power to the privately owned power companies and would use their rates as the yardstick by which TVA's rates would be fixed, which would, of course, mean a drastic increase in the price of electricity.

Not only that, but there is another effect which is, I think, implicit in what you said. This is, if the pressures of the low-cost public-power program are taken off by the raising of those rates, then that means that the rates of the other companies will tend upward, maybe not in actual dollars and cents increases, but the pressure for lowering them will be off and they still stay at a higher rate, or perhaps even rise. So, there is that other loss as well as the loss to the taxpayers, and there is the loss to the other consumers who benefit indirectly through this competitive factor of the yardstick.

Mr. JONES. You also made the recommendation in your testimony that the policies of the Federal Government be extended to include municipal and industrial water supply as a factor for consideration in the construction of dams and reservoirs, to afford the communities in the area where these projects are constructed the opportunity to have an abundant supply of water. Did you note on page 29 of its report the Commission laid great emphasis on that?

Mr. SMITH. It made passing reference.

Mr. JONES. And it said it did not come within the purview of the Commission to study it.

Mr. SMITH. I do not see how you can formulate a national water resources policy without taking that factor into very definite account. I think the Commission indicates quite clearly that increasing population—increasing uses for water—constitutes a tremendous pressure upon all of our water resources, which is going to produce a shortage, nationally speaking, rather than just in certain areas. It is rapidly becoming one of our No. 1 problems, that is, the problem of where to get enough water to meet the needs of the people. Unless we take

that factor of water supply into account for its uses, I do not see how we can have a sound policy which is going to hold up more than just a few years and a policy based on that short term.

Mr. JONES. We will be shortsighted if we do not begin planning for the decades ahead.

Mr. SMITH. That is right.

Mr. JONES. Now, in recommendation No. 1, the Hoover Commission makes this statement:

That the Congress adopt a national water policy on the following nine points:

Then it sets out the points. Then subsequent to that, and on through recommendation 15, it makes separate recommendations. From the reading of those recommendations do you find any positive approach to a national water policy?

Mr. SMITH. I would say it was positive in a negative sense. I think while it sets up the standards——

Mr. JONES. In other words, almost all of them are restricted in their nature and, if carried out, they would circumscribe and restrict the water policy now in operation?

Mr. SMITH. It is my view that it would, as I interprete those recommendations. It would dismember and destroy the integrated type of development such as TVA. In so doing it seems to me it would undercut the specific water power policy or what should be the water power policy of the Nation. While they set up generalizations in recommendation No., 1 they begin to spell them out in the other recommendations so that you begin to see just what they mean by those. Although they sound nice in recommendation No. 1, they end up being something quite different as we view the problem.

Mr. JONES. Thank you very much, Mr. Smith. It is good to have you with us today.

Mr. E. R. Roby, representative of the Southern Rail Carriers. Mr. Roby, will you excuse me for just one second? Let me ascertain the remaining witnesses and see if they are here.

Mr. Floyd Jones. Is Mr. Jones here?

(No response.)

Mr. JONES. Mr. James K. Smith of Louisville, Ky.?

(No response.)

Mr. JONES. Mr. E. R. Wright? Mr. Cale Haun. Fine, Mr. Roby, we are glad to have you.

STATEMENT OF E. R. ROBY, REPRESENTING THE SOUTHERN RAIL CARRIERS

Mr. ROBY. Thank you, Mr. Chairman. First I want to thank this committee for giving us an opportunity to appear before your committee and present our statement. I speak in behalf of the Southern Lines generally. My remarks will be addressed solely to the matter of imposing tolls on waterways for navigation.

My remarks will be addressed to the question of imposing tolls against those making commercial use of the waterways.

Transportation today is an intensely competitive service. It presently embraces not only comparatively new, and additional, elements but also a vigorous revived institution once practically latent in the

form of navigable rivers, all of which have resulted in an overabundance of service.

Waterway, highway, railway, and air are all vying with one another for traffic. Sufficient rivalry would prevail if the struggle were solely between common carriers in the several fields of operation, but on highways, and particularly waterways, much transportation is performed by contract and private carriers. Contract carriers are those engaged usually in transporting certain cargoes for one or several particular shippers of regularly moving tonnage. Under the governing law a waterway operator handling nothing more than three bulk commodities in a tow is a so-called exempt carrier and its rates and charges are beyond control or regulation by the Interstate Commerce Commission and not within the knowledge of anyone, save those who are parties to the transaction. Private carriers are those concerns who own both the property transported and the equipment in which it is transported. They are the interests primarily engaged in other businesses but who move their own products or materials.

Subsidy has created a grave situation, the effect of which harms not only the railroads but extends to unfavored businesses and localities.

The majority of our population is not located on navigable rivers. Inland communities, towns, and cities have businesses and manufacturers which produce and ship the same kind of goods and products as businesses and industries located on rivers. All try to reach the same markets and sell in competition with one another. Subsidization of the water shippers places the inland business at a severe disadvantage. Yet the inland producer is a taxpayer as much as the riverside producer. Thus, the interior man must not only suffer a disadvantage in selling his goods in competition with his riverside competitor but as a taxpayer he is compelled to contribute to the thing that causes his injury and to no less degree than his competitor who benefits. In such case the subsidy amounts to economic discrimination against the inland city, town, or community.

These inland places are eager to have their industries prosper and survive no less than the places on rivers and they have the same desire and aims toward attracting new and additional industries. The plea of lesser transportation charges by water has become an extremely important element in influencing plant location, both large and small, and it is constantly stressed as an exceptional asset by chambers of commerce of river cities in inducing plants to locate at those cities.

Aside from the inequity in the situation, there is also the additional feature presented in the question of whether concentration of industry on the waterways is prudent and desirable.

Barge service holds out to shippers lower rates than railroads maintain because the unwary taxpayer assists the shipper or the private operator-shipper by relieving them of a part of the expense when the goods move by water. When the same shipper uses rail service, he pays for the complete cost of the service without any help from disinterested parties.

In the report entitled "Public Aids to Transportation," prepared by the Coordinator's staff, this comment appears under the caption "Sig-

nificance of Savings Enjoyed by Users of Inland Waterway Improvements":

> The savings * * * arise from the enjoyment of water rates which do not cover the entire cost at which the service is rendered. They are, therefore, not savings in an economic sense but represent in large part the transfer of cost from the users to taxpayers. Savings in a true sense can be reckoned only if total costs serve as a starting point.

Assessment of tolls against those who commercially use the waterways in their business activities we believe is sound Government policy. In the early periods of our national history it was customary for State governments, which had provided harbor facilities and inland-waterway improvements, to recoup in some measure expenditures that had been made through charging tonnage duties and tolls. In the case of the Erie Canal tolls continued to be collected as late as 1882.[1] Tolls are now collected from those using the Panama Canal in domestic or foreign commerce. It is also expected to impose tolls on the St. Lawrence seaway.

The basic facility used by waterway carriers has been recognized in a number of impartial Government studies such as the Federal coordinator's report (Public Aids to Transportation, vol. III), the report dated May 1932 of President Roosevelt's National Resource Planning Board, the report of the staff of the Bureau of Investigation and Research (H. Doc. No. 159, 79th Cong., 1st sess.), and the report to President Truman from his Secretary of Commerce, dated December 1, 1949, entitled, "Issues Involved in a Unified and Coordinated Federal Program for Transportation."

The free right-of-way, provided by the Government in maintenance and operation of locks, dams, and channels in river service, is equivalent to maintenance of way and structure in railroad operation. Maintenance of way and structure expenses for all southern region class I railroads for 1952 (the Interstate Commerce Commission has not distributed figures for later years) constituted about 30.4 percent of total railroad operating expenses.

The significance of this much of the advantage enjoyed by waterway users can be appreciated when it is realized that the total operating expense of class I southern region railroads for last year was $1,035,678,919 and that 30 percent of that figure amounts to more than $310 million. When one agency must meet this expense and the other is allowed to escape it, any comparison of the relative competency and value of one with the other is destroyed.

The figures relate solely to current maintenance and do not embrace capital expenditures.

One reason frequently advanced to justify Government subsidy is that water transportation is of great importance in national defense, the theory being that the inland waterways are needed to relieve the railroads of the burden of voluminous tonnage during such times. It is a matter of record, attested to by the highest authorities of the armed services, that during the Second World War the railroads handled at least 90 percent of all military and war freight. This record clearly demonstrates that the national defense interest of the country lies in rail transportation.

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[1] Coordinator Eastman's Public Aids to Transportation.

Certainly it is true that railroads are essential to the successful prosecution of war. That position was held generally and expressed during the last World War by President Roosevelt, members of his Cabinet, and high ranking officers of the Armed Forces charged with the duty of moving men and materials.

During World War II the railroads assumed the burden of transporting the greatly increased volume of tonnage. Since then their portion of the overall transportation performance has gradually lessened.

I call attention to a mimeographed statement which shows the ton-miles for various transportation agencies and the share of the total transportation each agency performed during the war years and subsequently.

Mr. Chairman, can we have this document offered in the record and have it made a part of the record?

Mr. JONES. Yes, sir. Without objection, the table will be shown at the end of the statement of Mr. Roby.

Mr. ROBY. Ton-miles is the means of expressing transportation performance—it represents the number of tons times the number of miles each ton is carried. During the war years, from 1942 to 1945, the railroads performed substantially 70 percent of the service. For the succeeding 4 years, 1946 through 1949, they performed 65.04 percent of the service. For the 4 later years, 1950 through 1953, the railroads performed 55.19 percent of the transportation and for the year 1954, 49.51 percent of the transportation service. We believe that subsidization of other agencies has been responsible for much of our lower share of our total tonnage that we have experienced since the war.

There is general acceptance of what we believe is the mistaken idea that improved waterways create traffic but that is rarely the case. A waterway may attract traffic but it is mainly tonnage diverted from other transportation agencies—usually railroads—which would have moved in the absence of a waterway. Improved waterways do not increase, to any significant degree, the productive capacity of the Nation. It is true that the availability to shippers of less-than-full-cost water transportation induces industry to locate on rivers, but that gain is offset by the loss suffered by other areas not located on rivers.

For the most part, those interests moving the greater volume of tonnage on the water perform their own transportation service. That is true with respect to petroleum and petroleum products, coal, and iron and steel. Recently I made a check of the transportation lines operating on the Ohio River from the publication compiled by the United States Corps of Engineers known as Transportation Series No. 4—1954, and found that of a total of 152 operating companies (omitting local towing companies operating within a single harbor) there were only 11 common carriers, which means that the vast preponderance of river traffic is handled by private operators which own both the property transported and the equipment in which it is transported, and contract carriers which are engaged in handling regular cargoes for particular shippers. It seems fitting here to point to the statement appearing in the report made by President Roosevelt's

Board of Investigation and Research, Senate Document No. 159, 79th Congress, 1st session:

> It must be added that in view of the predominate use of many improved waterways by a few private and contract carriers serving principally large industrial concerns it cannot properly be assumed that the benefits are broad enough to diffuse so as to make it a matter of indifference whether the cost of waterway improvements are borne by the user or the taxpayer.

and a like assertion made in Coordinator Eastman's report of public aids to transportation which reads:

> It has been shown previously that on many bodies of water the predominate use is that of contract or private carriers. Such presumably was not the intention of those who authorized the expenditure for the improvements that have been made. As contract carriers serve mainly large shippers, the effect in substance is that the bulk of the use of our waterways is by such shippers."

The matter of land grant to railroads is frequently given as the reason for subsidization of water transportation. The Federal grants were awarded as an encouragement to railroad construction for the primary purpose of developing the country. Only about 8 percent of the railway mileage in the United States received any land grant. Land grants were not gifts in the sense that they were free without strings attached because they stipulated that the Government receive material concession in the rates and fares for freight tonnage and troops.

Some of the early grants were given based on Government traffic being moved without charge; others on basis of the Government paying 25 percent of the commercial rate, and still others on basis of the Government being accorded a 50-percent reduction. Around the turn of the century the freight-rate concession was, under law, made uniform by providing that Government freight would be transported at 50 percent of charges applicable for commercial shippers. It proved a very good bargain for the Government. That the Government was reimoursed, and fully reimbursed, is apparent from a statement made by Senator Myers, who as Senator from Pennsylvania was in charge of the Senate transportation inquiry of 1949.

Senator Myers made this statement:

> The study of expenditures of public funds in aid of transportation also includes an enumeration of Federal and State aid given to the railroads through land grants. Both the Eastman report and the Senate committee report on this subject in the 79th Congress state that the special land-grant freight and passenger rates have resulted in savings to the Federal Government of an amount far in excess of the value of all the land grants. The highest value placed upon the Federal land grants is approximately $429 million, whereas the reports indicate that the saving to the Federal Government in special rates amounted to a little over $1 billion. Apparently it was upon this basis that the 79th Congress repealed special land-grant rates in 1945.

In 1940 the Congress declared as the national transportation policy that all modes of transportation should be fairly and impartially regulated so as to recognize and preserve the inherent advantages of each in the promotion of safe, adequate, economical, and efficient service and to foster sound economic conditions among the several types of carriers without undue preference or advantages or unfair or destructive competitive practices—all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of

the commerce of the United States, of the postal service, and of the national defense.

That strong, clear, simple statement appears as a preamble in the Interstate Commerce Act and we believe that it clearly expressed the intent that each mode of transportation should find its proper niche in the whole broad scheme of the Nation's transportation system.

Only by invoking the principles set out will each mode of transportation find its true economic status. And not until then can the inherent advantages, or disadvantages, of each kind of service be determined and properly appraised as the national transportation policy requires.

Railroads could have no valid objections to diversion of tonnage to the waterways if diversion were the result of waterways being the more economical, taking into account all costs regardless of whose dollars are spent to provide the facility. However, railroads feel that they do have a just cause for complaint when tonnage is diverted from rails due to the Government assuming a portion of the shipping expense when shippers use the waterways.

Railroads are certain that the method of transport which can supply service most economically is going to be in greatest favor and that such results must be accepted irrespective of whom it favors or hurts.

Now, Mr. Chairman and Mr. Lipscomb, I have heard it said here as to what may happen, or what is thought may happen if there were tolls put on the waterways as recommended by the Hoover Commission report. It is not my idea that the imposition of tolls on waterways would destroy waterways. I just cannot conceive that. I know there is too much difference between waterway costs on tonnage and rail tonnage costs even those moving in long freight hauls. There is too much difference in cost, in my opinion, for the imposition of tolls to drive the business off the river, that is, to drive the real boat business off the river.

Mr. JONES. Is it your thought that the purpose of tolls should be as a revenue-producing measure, or as a yardstick for equalizing freight rates between the rail carriers and water carriers?

Mr. ROBY. No, I do not mean it as an equalizer, Mr. Chairman. I look at it as something that should be done as a matter of right—let it fall where it will.

Mr. JONES. In other words, your interest is to see that the Government recaptures the amount of money invested in these Federal projects? That is your interest and the interest of the railroads?

Mr. ROBY. That is true. We think that will cause us to get some business that is now probably moving entirely by barge, but at the same time it will be on a proper basis. You will have the economics of the situation determining who should get it. As I said before, I am not of the belief that the imposition of tolls is going to render these rivers nonusable for navigation.

Mr. JONES. But your principal reason, as I understand it, Mr. Roby, is not to equalize the rates of the two types of carriers, but to see that the Government recaptures the amount of capital expenditures made in navigation projects?

Mr. ROBY. I think so. Yes, sir. I have never thought that it would equalize the situation. In fact, in view of what I said in my conclud-

ing statement here, I believe that the difference in costs is always going to lie in favor of the waterways.

Mr. JONES. Mr. Lipscomb.

Mr. LIPSCOMB. Are railroads and waterways actually competing or do they carry different types of goods?

Mr. ROBY. No, they all carry the same types of tonnages. I say "all." I will say the waterways and the railroads carry the same types of tonnage.

Mr. LIPSCOMB. When we talk about bulk traffic; the railroads carry bulk goods?

Mr. ROBY. Oh, very much so. We carry coal and iron ore, and all kinds of ores as well as sand and gravel, and items such as petroleum products, sand and gravel, iron and steel and iron articles, which represent or constitute, I would say, about 70 to 80 percent of the river tonnage. I am talking about the rivers I know about, which are the Ohio and Mississippi.

Mr. LIPSCOMB. So, actually they are all competing for the same type of traffic?

Mr. ROBY. Yes. We are competing. We have tried in some cases to file tariffs that contain the precise rate that is available by water, including the incidental expenses which are incurred in shipping by water from point A to point B, but we have not been successful in getting the Interstate Commerce Commission to approve any actual precise rate that is available by water. The Commission at times has given us or approved, or said what they would approve. When we tried to get the same rate, they said they would approve a differential of 10 percent most generally over the all-water costs.

Mr. LIPSCOMB. You are really advocating user charges that will cover amortization of capital investment?

Mr. ROBY. I do not understand that, sir. You have the Hoover report there.

Mr. LIPSCOMB. Recommendation No. 8 recommends sufficient charges to cover maintenance and operation and also authorizes the Interstate Commerce Commission to fix such charges. That is the recommendation you are supporting. You are not going any further than that, into amortization of capital investment; are you?

Mr. ROBY. No, sir.

Mr. JONES. Thank you very much, Mr. Roby. We are glad to have had you, sir.

Mr. ROBY. Thank you, Mr. Chairman.

Mr. JONES. Without objection at this point in the record the table requested by Mr. Roby to be inserted in the record will be made a part of the record.

(The table referred to is as follows:)

Statement showing the ton-miles of various transportation agencies together with the percentage proportion for each type of transportation for years 1942 through 1954, and 4-year grouping before and after World War II

Year	Ton-miles (in millions)					
	Railways	Motor carriers	Inland waterways	Pipelines	Airways	Total
1942	645,262	50,207	148,565	74,730	33	918,797
1943	734,715	48,199	141,652	96,257	52	1,020,875
1944	747,168	49,308	150,112	132,336	71	1,078,995
1945	691,116	56,155	142,756	123,293	92	1,013,412
Total	2,818,261	203,869	583,085	426,616	248	4,032,079
1946	602,099	64,300	123,973	92,490	77	882,939
1947	664,422	77,918	146,714	104,153	153	993,360
1948	647,267	87,640	150,530	119,597	223	1,005,257
1949	534,694	93,653	139,396	114,916	235	882,894
Total	2,448,482	323,511	560,613	431,156	688	3,764,450
1950	596,940	125,995	163,344	129,174	308	1,015,761
1951	655,353	182,467	182,216	152,115	372	1,172,523
1952	623,373	184,106	168,367	157,502	415	1,133,763
1953	614,199	206,808	202,439	165,728	427	1,189,601
Total	2,489,865	699,376	716,366	604,519	1,522	4,511,648
1954 [1]	556,600	214,600	173,500	179,200	400	1,124,300
	Percentage of total					
1942	70.23	5.47	16.17	8.13	(2)	100
1943	71.97	4.72	13.87	9.43	0.01	100
1944	69.25	4.57	13.91	12.26	.01	100
1945	68.20	5.54	14.09	12.16	.01	100
	69.89	5.06	14.46	10.58	.01	
1946	68.19	7.28	14.04	10.48	.01	100
1947	66.89	7.84	14.77	10.48	.02	100
1948	64.39	8.72	14.97	11.90	.02	100
1949	60.56	10.61	15.79	13.02	.02	100
	65.04	8.60	14.89	11.45	.02	
1950	58.77	12.40	16.08	12.72	.03	100
1951	55.89	15.56	15.54	12.97	.03	100
1952	54.98	16.24	14.85	13.89	.04	100
1953	51.63	17.38	17.02	13.93	.04	100
	55.19	15.50	15.88	13.40	.03	
1954 [1]	49.51	19.09	15.43	15.94	.03	100

[1] Preliminary.
[2] Less than 0.01 percent.

Mr. JONES. Mr. Floyd Jones, of Trenton, Tenn., representing the Tennessee Rural Electric Cooperative Association.

We are glad to have you, Mr. Jones. You may proceed.

STATEMENT OF FLOYD JONES, MANAGER, GIBSON COUNTY ELECTRIC MEMBERSHIP CORP., TRENTON, TENN., AND PRESIDENT, TENNESSEE RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. JONES. Thank you, sir. Mr. Chairman and gentlemen of the subcommittee, my name is Floyd Jones. I am the manager of the Gibson County Electric Membership Corp., Trenton, Tenn., a rural electric cooperative serving 21,000 member consumers in northwest Tennessee. I am also the president of the Tennessee Rural Electric Cooperative Association, an organization of 21 rural electric cooperatives in Tennessee serving more than 248,000 member consumers, who take electric service principally for their homes and farms. All of these cooperatives purchase their electric power reuirements from the Tennessee Valley Authority.

I would like to first thank the subcommittee for conducting hearings on the Hoover Commission report on water resources and power, because it is certainly in the public interest that the people who would be affected by the Hoover Commission recommendations be heard from. I specifically want to thank the subcommittee for allowing me to present what I believe are the views of rural electric leaders in Tennessee.

I want to call your particular attention to recommendation No. 9 of the Hoover Commission. In this recommendation, the Commission asks that the Congress empower and direct the Federal Power Commission to fix the rates on Government power sales at such levels that will:

(*a*) Eliminate the inequities now imposed upon the great majority of the people.

(*b*) Amortize and pay interest on the Federal investment in power, plus an amount which will equal Federal tax exemption based upon the Federal taxes paid by the private utilities; and

(*c*) Provide payments in lieu of full taxes to the State and local government equivalent to those the private utilities would pay.

My comments will, in the main, refer to this recommendation as it relates to the Tennessee Valley Authority. The Commission states on page 109, volume 1, of its report, that—

> It is obvious from the financial experience given in the last chapter that the Federal taxpayer is subsidizing these projects.

We resent and reject this conclusion specifically as it relates to the Tennessee Valley Authority.

There is the clear implication that the users of power generated by the TVA do not pay their fair share of State, local, and Federal taxes in any form.

During the fiscal year ended June 30, 1955, the TVA made in lieu of tax payments, $3,878,000 to the costs of local governments. The distributors of this power paid taxes or in lieu payments, in the amount of $6,192,000. This total of $10,070,000 contributed to State and local governments in taxes, or in lieu payments, for the fiscal year 1955, from the consolidated revenues received by the distributors and by TVA, excluding only sales to Federal agencies, represented

6.2 percent of those revenues. The latest date we have for all private utilities in the United States is for the calendar year 1954. The average percentage of their revenues paid for State and local governments was 8.9 percent. The 12 private companies that retail power in areas adjacent to the area served by the TVA system range in payments from 4.8 percent of taxable revenues, to 11.3 percent.

When we take another view of this comparison, we find that in 1937 before the major transfers of property from private to public ownership in this region, the State and local taxes on all electrical operations in the same area totaled less than $3,350,000. In 17 years, in the TVA power service area, the taxes received by State and local governments from their power suppliers have grown by 200 percent, a rate of increase considerably higher than the average for private power companies. The State and local tax payments by private utilities of the Nation showed a growth of 170 percent, from $207 million in 1937 to $563 million in 1954.

May I ask you, gentlemen, where is the inequity here?

In my own cooperative, we expect our local taxes for 1955, based upon assessments by the Tennessee Public Service Commission, to be 17 percent above those of 1953 and 1954. For all the cooperatives in Tennessee, the increase is expected to average 19 percent. This increase is for a 2-year period. At that rate of increase, our ad valorem taxes would double in less than 10 years.

When we take a look at the earnings from the standpoint of the Federal Government, it is also difficult to find an inequity there. It is true that no percentage of TVA's net income is reported paid to the Federal Treasury under the heading "Income tax." However, all the earnings of the TVA belong to the Federal Government as the owner. It is found that the Federal Government has received more income from this public power system than it would have received in Federal income taxes on a privately owned utility with similar revenue. In fiscal year 1955, TVA net income remaining after allowance for costs of money to the Government (on appropriated funds as well as reinvested funds) was approximately $25,300,000. All of this money belongs to the Federal Government. A private company would have paid an income tax of approximately $12,700,000 on this profit.

Over the entire period from TVA's inception to the present, 1933–55, the Government earned $312 million on the TVA power investment, after paying all operating and maintenance expenses, depreciation, and payments in lieu of State and local taxes. These earnings represent an average annual return of 4 percent on the Government's average investment during the past 22 years. The average cost of money to the Government, of its marketable obligations, was approximately 2 percent and if that rate of interest had been charged on the power investment for the full period, it would have amounted to $156 million, exactly half of the 4-percent return. The remaining $156 million is the Government's margin over and above all the before-listed deductions.

This is 15.3 percent of TVA's gross power revenues of $1,017 million for the period.

Let us now compare the $156 million in the above calculation with the income taxes the Government might have received from a private utility with the same gross revenue in those years. The Federal Power Commission reports the income-tax payments of the Nation's

private electric companies as a percent of their gross revenues from power sales. For the last 22 years, income taxes ranged from approximately 3 percent of gross revenues in the early thirties to approximately 13 percent in recent years.

If we apply the annual percentages to TVA revenues, a typical privately owned utility would have paid Federal income taxes of approximately $110 million from $1,017 million of sales during the period. The margin of $156 million which TVA earned for the Government was $46 million more than that amount. Again, I ask you, gentlemen, where is the inequity?

Comparing the 13 percent paid by all private utilities in recent years, ignores the fact that half of TVA's revenues are from bulk power sales to agencies of the Federal Government and a lower tax rate should be applied to such revenues. In the two cases where private utilities have contracted to sell large quantities of power to AEC, namely, the Ohio Valley Electric Corp. and Electric Energy, Inc., the income taxes paid by these utilities are expected to average above 1.9 percent of gross power sales.

The explanation for the low rate structure in the Tennessee Valley, is not to be found in an elaborate and detailed comparison of the taxes of all types paid on the production and distribution of electric power. The explanation is to be found in mass distribution economics. This is why the cost per kilowatt-hour of producing, transmitting, distributing and managing the sales of electricity is about half as large in the Tennessee Valley as in the privately owned utility systems of the United States. Comparing the cost before interest, taxes, and profits, we find that in the Tennessee Valley Authority area this cost of producing and delivering kilowatt-hours to the ultimate consumers is 5.4 mills. The comparable cost for the Nation's privately owned utilities in 1952 was 10.1 mills, about twice as much.

There is still another view that is very revealing, so far as the return to the Federal Government of the entire TVA program is concerned. In 1933, the 7 Tennessee Valley States paid only 3.4 percent of all individual income-tax revenue received by the Treasury. In 1953, the individual income-tax payers in those 7 States paid 6.1 percent of the total national individual income tax collections—an increase of 2.7 percent in the proportion of taxes paid out of the valley States. The difference between these rates of tax collections in the year 1953 alone amounts to approximately $1 billion. This is the amount of gain to the Nation in income-tax collections in 1 year alone as the result of the economic gain following the establishment of TVA.

In the 20-year period, 1933–53, the increased proportion of individual income-tax collections from the area, has amounted to nearly $8 billion, which is many times the total Federal investment in all TVA. Again, I ask, where is the inequity?

Maps of the Eastern half of the United States on electric rates in 1932 and 1952 graphically demonstrate how the TVA low rate structure has brought down average electric bills. These maps clearly show the average cost for electricity in the home increases as the distance from the TVA project. The electric rates on the periphery of the TVA area have been materially lowered during this 20-year period. It would seem, therefore, that because of the criticism of the TVA rates on the part of our private power friends that the profits of those utilities would have measurably decreased. Exactly the op-

posite has been true. The common stock earnings of large, privately owned utilities contiguous to the TVA (with 1937–39 as a base of 100) moved to 275 in 1946, while the comparable United States total reached 137. By 1952, the earnings of these private utility neighbors moved to 510 in the index, while the comparable total for the United States reached 225. We see, then, that the dollar profits of private owners of power systems over the Nation are twice as large in the 15-year period, while the private power neighbors of TVA are earning profits 5 times as large as they were. This is a clear proof of the effectiveness of the demonstration of volume sales and lower rates on profits.

With regard to the earning of profits, it might not be amiss for us to suggest to our private power friends that if they first remove the beam from their own eyes, they could see more clearly to remove the mote from the eyes of their friends in the Tennessee Valley.

Many years ago, this region was called the Nation's economic problem No. 1. What with the vast development in this area in the last 20 years, it seems that we have made great progress in becoming defense area No. 1 in the Nation, as well as economic asset No. 1 in the Nation. We do not aspire to any greater development than the Nation as a whole and yet we do wish our development to continue in order that we take our proper place in a strong Nation.

With the ever-increasing use of electric power, the lives of our people in this State have been literally transformed. In the early 1930's, the outlook for many of our rural people was bleak indeed, such that there was only poverty and hopelessness to look forward to. On our farms, we could not keep topsoil nor top people. This trend has been reversed, a fact that is of immense economic importance to the Nation as a whole.

So far as the rural and small town people of Tennessee are concerned, the adoption of the Hoover Commission recommendations on electric power would be a severe regressive action. It would strike a death blow to the hopes, the efforts and the progress of our people during the past 20 years. We do not believe that any well-informed, reasonable person would wish to destroy the attainments that have been made.

I am told that many years ago, David Lilienthal, in an address being made in New York City, said in substance that the skyscrapers of New York do not rest on the rocks of Manhattan but on the streams, the forests, the minerals, and the soils of America. What we have tried to do in the Tennessee Valley is to develop those assets for the benefit of the people in the area and make material contributions to the well-being of the Nation as a whole.

During the past 20 years, the streams, forests, minerals, and soils of the Tennessee Valley have been blossoming, causing our people to blossom. Inevitably, these blossoms have cast their fragrance over wide reaches of the United States. Unfortunately, some of our friends in other parts of the Nation do not recognize that fragrance. We believe that after a careful and unbiased study, you gentlemen will recognize it.

I thank you.

Mr. JONES (chairman). Spoken like a good Jones. Are there any questions?

Mr. LIPSCOMB. On page 3 of your statement, in the last paragraph, will you explain how it is figured that the Federal Government from 1933 to 1955 has earned $312 million on the TVA power investment?

Mr. FLOYD JONES. That is the amount of money earned over and above TVA's actual operating expense, including maintenance, depreciation on payments made in lieu of taxes from its power sales, and investment.

Mr. LIPSCOMB. $312 million?

Mr. FLOYD JONES. I would like to check that, sir. Yes; that is the information I have.

Mr. LIPSCOMB. Does that include the in-lieu taxes in your theory? Is that where you get it?

Mr. FLOYD JONES. That is after all in-lieu taxes have been paid.

Mr. LIPSCOMB. When you use the term "the Government" you mean both Federal and local governments earned $312 million?

Mr. FLOYD JONES. Yes.

Mr. LIPSCOMB. Not just the Federal Government?

Mr. FLOYD JONES. Not the Federal Government; no. There were no in-lieu taxpayments made to the Federal Government, but to the State and local governments.

Mr. LIPSCOMB. But the $312 million includes in-lieu taxes, as you have it there in your statement?

Mr. FLOYD JONES. After it has been deducted. No; it does not include it; no.

Mr. LIPSCOMB. That is what I am trying to arrive at. How did you arrive at the $312 million figure?

Mr. FLOYD JONES. I am not sure I have it with me. The total earnings were $1,017 million. The information I have indicates that after deducting that—that would be $705 million, I believe—the total of all operating expenses, including depreciation, maintenance, and in-lieu taxpayments, would be such a figure that deducting that figure from the $1,017 million of total power sales income, you would have $312 million that the Government has earned on its power investment after paying all operating and maintenance expenses and depreciation and payments in lieu of taxes.

Mr. LIPSCOMB. When did the legislation go into effect that the Government would be paid money out of your operating profit?

Mr. FLOYD JONES. I state it in the statement, I believe.

Mr. LIPSCOMB. Was that in the act of 1948?

Mr. JONES. What do you have reference to?

Mr. LIPSCOMB. When TVA would repay the investment to the Federal Government.

Mr. JONES. In 40 years?

Mr. LIPSCOMB. Yes.

Mr. JONES. That was the appropriation act of 1948. In the $312 million figure that he has here, $220 million of that is actual cash payments to the Treasury. About $75 million is a bond issue or bonds that have been redeemed, and the rest is capital on hand.

Mr. FLOYD JONES. A portion of that has been reinvested.

Mr. JONES. This does not refer to the reinvestment item.

Mr. LIPSCOMB. This question, Mr. Chairman, might be academic but I would like to get it straightened out in my mind.

Mr. JONES. Surely.

Mr. LIPSCOMB. I have a report here, which is a report from the Comptroller General of the United States to Congress on the Tennessee Valley Authority for the fiscal year ending June 30, 1954, which in part says:

Payments from net power proceeds since the legislation was enacted have been $77,500,000—

They refer to the act of June 30, 1948—

of which, $27,500,000 was applied to the reduction of bonded indebtedness and the remaining $50 million was paid into the general fund of the United States Treasury. Payments during 1954 totaled $20 million, of which $5 million was applied to the bonded indebtedness, and $15 million was paid into the general fund of the United States Treasury.

Now, was that money paid back to the Government prior to 1948?

Mr. JONES. Yes; that is the reason why the figures only go back to the 1948 amendment. The figures the witness is using are the total amount, as I understand it. What you are saying is that $312 million is the total repayments.

Mr. FLOYD JONES. The total amount earned.

Mr. JONES. Earned on——

Mr. FLOYD JONES. On the power investment.

Mr. JONES. Do you know under the payment schedule of 1948 whether TVA is in arrears or ahead of schedule?

Mr. FLOYD JONES. I do not have information on that with me, but I have seen the schedule and I understand that they are ahead of the schedule payments.

Mr. JONES. Are there any other questions?

Mr. LIPSCOMB. No. Mr. Chairman, I understand the theory he has in his statement in regard to financing, although personally I do not agree with that theory.

Mr. JONES. Thank you very much, Mr. Jones. It was good to have you today, sir.

Our next witness is Mr. E. H. Wright, of Tennessee, representing the Tennessee Valley Public Power Association.

All right, you may proceed, Mr. Wright.

STATEMENT OF ERVIN H. WRIGHT, MANAGER, SOUTHWEST TENNESSEE ELECTRIC MEMBERSHIP CORP., AND MEMBER, TENNESSEE VALLEY PUBLIC POWER ASSOCIATION

Mr. WRIGHT. Mr. Chairman and gentlemen of the committee, my name is Ervin H. Wright. I am manager of the Southwest Tennessee Electric Membership Corp., which is a cooperative distributing electric energy, purchased under contract with the Tennessee Valley Authority, to its 18,000 members.

Mr. JONES. I believe that is about the largest co-op in the area.

Mr. WRIGHT. I have to give Mr. Floyd Jones credit for having one bigger than mine.

Mr. JONES. Is that right?

Mr. WRIGHT. Yes, sir.

These members, all rural people, live in nine west Tennessee counties. They expect their cooperative to continue distributing low-cost power to their homes and places of business and in increasing amounts as their requirements demand. This is one reason why I am happy and privileged to be here.

I am also a member of the Tennessee Valley Public Power Association and serve on its executive committee. This is an organization of municipal and cooperatively owned electric power systems purchasing power from the Tennessee Valley Authority. This organization through its member organization represents some 6 million people, both municipal and rural citizens, who look to their power distributors for their electric power requirements and I might add at the lowest possible cost consistent with sound business principles.

In representing these organizations, it is necessary that I voice my opposition to the recommendations to the Congress made by the Commission on Organization of the Executive Branch of Government and their report on water resources, and particularly part 5 of volume I of this report.

Twenty years ago the people of the Tennessee Valley by popular vote overwhelmingly rejected the public power companies and accepted the public power method of receiving their electric power requirements. By doing so they have received the benefits of low-cost power and it has become available to all the homes in the region to the extent that over 95 percent of the rural and urban establishments now receive central station service as compared to the 3 percent receiving electric service while private power companies were the sole source of their service. These people today still feel the same as they did 20 years ago and do not want to be returned to the system they voted out. This is certainly what would happen if the recommendations made by the Commission were enacted into law by the Congress.

The people of the valley realize the importance of economy and good organization in their government. They welcome fair and impartial criticisms and recommendations from an unbiased Commission. Howevere, we do not feel that this is the case in this Commission report. In 1953 the Chairman of the Commission, Mr. Herbert Hoover, stated that the Government should get out of the power business and recommended the sale of the Tennessee Valley Authority.

In June 1954, Governor Clement and Mayor Dempster of Knoxville, appearing before the Commission, vigorously protested that members of the task force were prejudiced against public power and particularly the Tennessee Valley Authority. An editorial in the Nashville Tennessean on June 2, 1954, disclosed the fact that not one single member of the Commission could be considered a spokesman or representative of public power. The dissenting reports by the four members of the Commission indicate that the task force was not representative of the several viewpoints involved nor were there members of the task force favorably disposed toward programs like the Tennessee Valley Authority. We feel that on the basis of these disclosures that the Commission had prejudged the case before the evidence was heard and that the recommendations made in the report were biased.

By action of Congress creating the Tennessee Valley Authority and the vote of the people some years ago, municipal and electric power systems of the valley have contracted with the Tennessee Valley Authority for their power supply, obligating the Tennessee Valley Authority to become the sole supplier of electric power. Many of the homes and businesses, both rural and urban, now depend on this electric power as the sole means of lighting, heating, and cooling of their establishments, as well as for their cooking, preserving their food, and supplying their

water. More and more people every year are investing their money in electrical appliances that perform these services, resulting in an increase of 10 percent per year in use and demand for power. This orderly development of the economy in the valley would come to a halt should the recommendations of the Hoover Commission be put in force by Congress. The result of these recommendations would mean an increase in cost of power which the consumers could not afford.

Mr. Chairman, I believe that the main recommendations affecting Tennessee Valley Authority and public power in general as contained in part 5 of the water resources and power report are fairly well answered by the Tennessee Valley Authority bill known as the Davis-Jones TVA financing bill now before the Congress. This bill would amend the Tennessee Valley Authority Act to provide for private financing of the Tennessee Valley Authority requirements.

More than 50 years ago President Theodore Roosevelt foresaw the exploitation of our natural resources by and for the benefit of a few large private corporations and through his efforts the preference clause came into being. From this time on it has been consistently attacked by selfish groups but Congress has seen fit to strengthen and uphold this clause as have the courts upheld its legality. I believe it is our duty to see that this law is protected and these great power projects are continued for the benefit of this generation and for those to come.

Mr. JONES. Thank you very much, Mr. Wright. Any questions, Mr. Lipscomb?

Mr. LIPSCOMB. No.

Mr. JONES. Thank you, sir.

Mr. WRIGHT. Thank you.

Mr. JONES. That concludes the list of witnesses we have scheduled for today. Is there anyone present who has not been heard and would like to be heard? If so, he is welcome to make his appearance.

(No response.)

(The list of names of the people requested to appear as witnesses and the letters requesting them to appear are as follows:)

The only invitations extended by the subcommittee were to members of the congressional delegation and to Brig. Gen. John R. Hardin, division engineer, Lower Mississippi Valley Division, Corps of Engineers, and president of the Mississippi River Commission.

The other witnesses were either invited by Congressman Clifford Davis, or they requested that they be heard.

The letter to the Members of Congress read as follows:

"DEAR COLLEAGUE: This subcommittee, in carrying out its responsibility to conduct hearings on the Hoover Commission report on water resources and power, has scheduled hearings in Nashville, Tenn., on October 31, and in Memphis, Tenn., on November 3 and 4.

"We shall be happy to have you present at either or both of these hearings to participate in any manner you wish.

"With kindest personal regards and best wishes, I am,

"Sincerely yours,

"(Signed) BOB JONES."

Mr. JONES. The chairman, on behalf of himself and the members of the committee, would like to express appreciation and gratitude to Congressman Davis, who has arranged this meeting for us. The judge deserves our thanks for making the courtroom available to us, as well as the many other things he has done to help us.

I want to thank also the building attendants and the members of the press and the people who have received us so cordially and so hospitably. I do not think there is any greater city anywhere than Memphis.

I particularly want to thank the witnesses who came from great distances and who appeared here with prepared statements, or statements on which they spent great effort on their part in acquiring the wealth of information that was supplied to the committee. We have benefited immeasurably by the information that has been received from the witnesses.

Again let me thank you and hope that we have the occasion to come back to this lovely city in the near future. Thank you.

(Whereupon, at 12: 15 p. m., the hearing was concluded.)

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